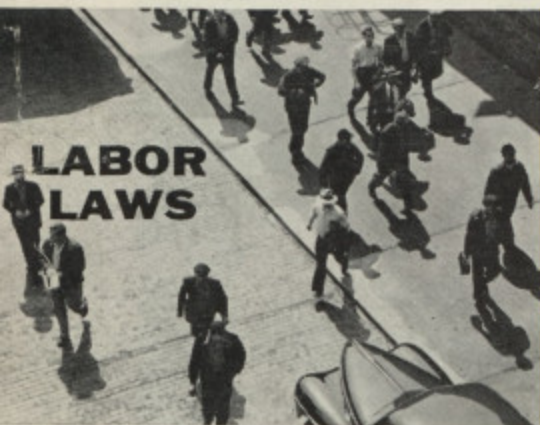


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Nation's Business

A MAGAZINE FOR BUSINESSMEN

DECEMBER 1954

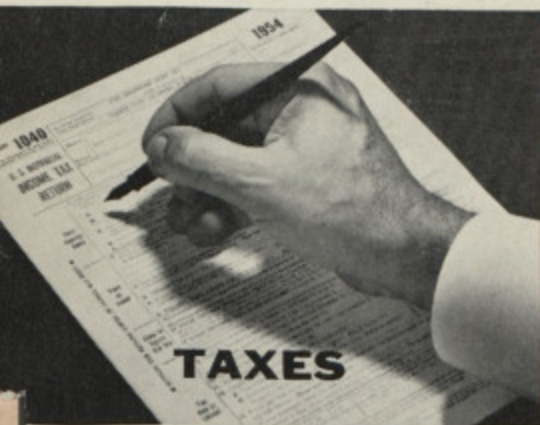


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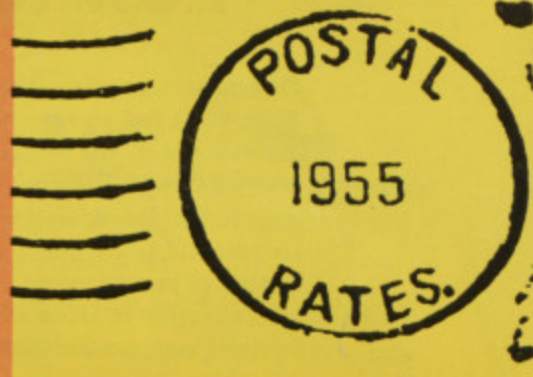


**HERE ARE THE ISSUES
CONGRESS FACES IN '55**

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ANTITRUST LAWS



U. S. prisons: \$215,000,000 blunder **PAGE 86**

Job enlargement boosts production **PAGE 34**

Meet the FBI chief of staff **PAGE 28**

Tax swing: Federal down-State up **PAGE 33**

Meet your HOMEtown Insurance Agent



He showed me **HOW TO DO IT... SAFELY!**

Do you have a hobby—or are you “handy around the house”? Then you’ll find an *extra* advantage in talking to your Home Insurance man. His interests are probably very much like your own and he may be able to give you some good suggestions. He *certainly* will be able to give you sound advice on practical safety measures. He has built a career on the services of protection and his expert opinion, backed by more than a century of Home experience, is well worth having. For *your* sake, see him soon!



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Nation's Business

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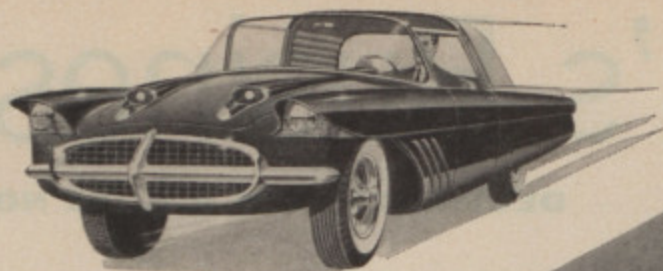


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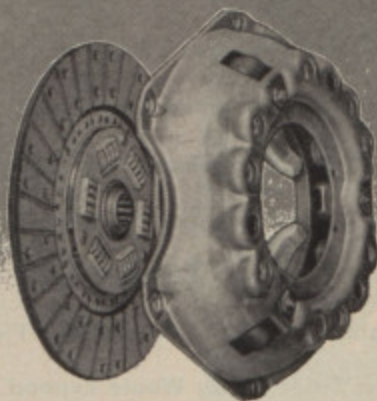
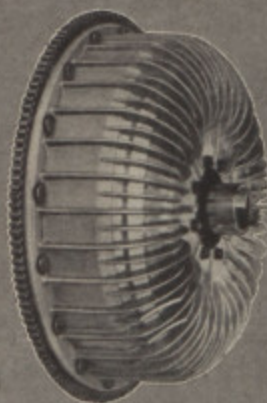
N38
V.42
1954



KEEPING PACE

with the Horsepower Race

through
BORG-WARNER
Engineering...



Time was when automobile engines of 100 horsepower were just an engineering dream. Today, engines of 200 horsepower and up are more and more common.

To carry the increased Torque of such power-loaded engines is a giant-size job for clutches or torque converters. The big problem is to pack more "muscle" into these units without increasing their over-all dimensions.

Through advanced design and engineering, Borg-Warner's Borg & Beck Division has stepped up the capacity of its famous clutches and torque converters, while keeping within the size limits of the car manufacturers.

Compact, light in weight, precision built, these B-W Borg & Beck units transmit today's stepped-up horsepower smoothly, quietly, efficiently. They, too, carry on Borg-Warner's "design it better—make it better" tradition.

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ABOUT THIS ISSUE

EDWARD T. FOLLIARD has been writing the "Washington Mood" pages for this magazine for more than seven years. He says that the relationship has been "most pleasant," and we agree.

It would be hard to find another Washington reporter with Mr. Folliard's excellent writing ability and rich background. He has been working at the trade since cub days on the old Washington *Herald* in 1922 and in the years since has covered a galaxy of big stories. That he handled them well is evident from the journalistic awards he has won. Among these: a 1947 Pulitzer Prize for national reporting.

"I started covering the White House in the time of Calvin Coolidge," writes Mr. Folliard, "and I have covered every President since that time.

"The biggest assignment of my life came in 1944 when the Washington *Post* sent me to Europe as a war correspondent. I covered the Battle of the Bulge, crossed the Rhine with the Ninth Army and had the privilege of an interview with General Eisenhower at his headquarters in Versailles."

This man Folliard is unusual. He is a Washington newsman who was born in Washington (May 14, 1899). He attended public and parochial schools in the District and, later, George Washington University. In World War I he served as a seaman in the U. S. Navy, making 20 crossings of the Atlantic. His one "really exciting" wartime adventure came when his ship, the *USS Piave*, was wrecked between Dover and Calais.

In addition to the Pulitzer Prize and the National Headliners Club Award, in 1948, Mr. Folliard has picked up a lot of other endorsements in his travels as a political reporter.

"Former Governor Val Peterson of Nebraska made me an admiral of the Nebraska Navy," he recalls. "Former Governor Sid McMath of Arkansas made me an Arkansas Traveler. And somewhere along the line I was made a colonel in the Confederate Air Force."

Papers certifying these last-named honors now adorn the walls of the Folliard home.

"I married a Boston girl, the former Helen Liston," writes Mr. Folliard, "and we have two children, Nancy, 18, and Michael, 12."

His avocations? "I dream of playing golf, fishing, playing poker and doing a lot of other things. But I just seem never to get around to enjoying any of them."

THE NEW TRANSISTOR holds great promise for the future. It's a tiny, solid device about the size of a pea that will amplify electrical signals a thousandfold and do many things a vacuum tube can do. And more besides! Will require little space and little power. Nothing to break or wear out. This newest Transistor, also invented at Bell Telephone Laboratories, although still in an experimental stage, has generated frequencies as high as 440 million cycles a second. An even higher range is possible.



(Actual size of new transistor)

New Mighty Mite is a big step forward

The Bell Telephone Laboratories newest **Transistor** opens the way to great progress in telephone service, radio and television and in military equipment.

THE exciting possibilities of the **Transistor** have been brought closer to realization by an important development at Bell Laboratories.

The big news is a new **Transistor** that has the advantages of previous

types—plus its ability to operate at unusually high frequencies.

Bell scientists, who invented the original **Transistor** more than five years ago, foresee an ever-widening field for this newest member of the Transistor family.

In addition to many other uses in the telephone business, the new **Transistor** is expected to be used as an amplifier in Long Distance telephone service.

In military equipment, it can be of tremendous importance to national defense.

It brings nearer the day when television sets will use tiny **Transistors** about the size of a pea instead of a large array of vacuum tubes.

There's always something new coming along in the telephone business. It's by finding ways to do things better that the service gets better for more and more people.

BELL TELEPHONE SYSTEM



Wausau Story

by **WALTER BELSON**

Assistant to the President, American Trucking Associations



Wausau's safety director Ralph Bettin (left) and Mr. Belson at a school crossing. As a special reward for safety performance, Officer Bettin takes 15 Wausau youngsters to the National Safety Patrol Assembly in Washington, D. C., each year.

Employers Mutuals of Wausau are "good people to do business with."

As Mr. Belson points out—people *think* safety in Wausau. It's part of their way of living. It's also part of *our* way of doing business. Our specialty is **workmen's compensation**, and it's no coincidence that in writing this insurance we'd far rather *prevent an accident than pay for one*. We'd rather have you give a worker a pay check than a claim check.

For this purpose, Employers Mutuals

has developed an accident prevention program which includes dozens of special safety services. By cutting accidents we are able to cut insurance costs for our policyholders. A Wausau man can show you how. It could well be worth your while to phone the nearest of our 89 offices. Or write directly to Wausau, Wisconsin. Employers Mutuals handles all lines of fire and casualty insurance.

Employers Mutuals of Wausau



What is there about Wausau, Wisconsin, that makes it the ideal home for one of the world's most important insurance companies?

Employers Mutuals invited a transportation executive to visit its home town and find out.

WAUSAU has kids like any other place. Wausau has its cars and trucks and people crossing streets and traffic problems just like any other active city.

And yet last year Wausau was voted the Safest City in America. Because of the work of our industry with safety, I was interested to know how Wausau accomplished its unusual record.



It starts with the Wausau kids. You see them at every school crossing, armed with their long safety flags and real authority. There's even a program for bicycle safety, and bike traffic laws with teeth. Violators attend safety lectures on Saturday morning. Sometimes bikes are impounded.

Every year the Junior Chamber of Commerce invites all Safety Patrol members to a picnic as a reward for their good work. The Parent-Teachers Association has similar parties.



To make sure that Wausau youngsters will learn to grow up on the right side of the road, Police Chief Everett Gleason has started such programs as a high-schooler's driving training course.

The Chief points out that it's not the police who made Wausau's safety record. It's the people of Wausau themselves. As he puts it, "Wausau *wants* to be safe—and it is!" That's a wonderful spirit. It's the spirit that helps explain why people in Wausau—and that includes Employers Mutuals—are good folks to know.

► NEW SECURITY legislation will get top priority in 84th Congress.

Here's a look ahead at four prospective bills:

1. Defense Facilities Protection Act would give government power to oust subversives, security risks, from private industries with defense contracts.

2. Wiretap evidence would be allowed in court in prosecuting national security cases.

3. Atomic Weapons Rewards Act would grant up to \$500,000 to persons giving information on illegal import or manufacture of atomic weapons in U. S.

(Note: Awards over \$50,000 would require Presidential approval).

4. Foreign Agents Registration Act would tighten up requirements for agents of foreign governments operating in U. S.

(Note: Under present law, foreign agent can "resign" his post, fail to register, rejoin foreign government with no penalty. There's no retroactive clause.)

Extension of Defense Production Act also will be asked.

Under law, it expires next June. New request may seek broader powers in addition to continued authority to purchase strategic materials, push defense expansion.

► TRADE, TAX POLICIES shape up as major battles in new Congress.

Talks with Democratic, Republican spokesmen, show:

On tax front:

There's wide split on reduction of corporate rate, due to drop to 47 per cent April 1, 1955.

Congress must decide, too, on taxation of life insurance companies, some excise taxes (they expire April 1), possible added personal income tax exemptions.

On trade front:

Democrats are likely to push for 3-year extension of Reciprocal Trade Act.

Probability: They'll want President to have authority to chop tariffs five per cent a year for three years.

See "Here Are The Issues Congress Faces in '55" by Charles B. Seib, on page 25.

► FARM SUPPORT legislation may take new turn in '55.

Democrats, foreseeing Presidential veto, will talk—but won't act—on 90 per cent price floor until '56.

Meanwhile:

Legislators fear loss of farm production—while population rises. That's not because of acreage controls or quotas. It's because of drought.

Drought's extent: Nearly 1,000 counties in 17 states are eligible for emergency government aid now.

New laws would set up permanent drought control program (President authorizes aid now), new soil, water conservation tax incentives.

► GOVERNMENT AGENCY—due to go out of business next year—will launch new insurance program this month.

The agency: Foreign Operations Administration.

The program: Government guarantees on foreign investment.

The purpose: To increase flow of U. S. capital abroad.

FOA now guarantees 67 individual contracts totaling \$48,000,000.

Agency wants to double that under new program, will:

1. Cut expropriation insurance fee from 1 to ½ per cent.

2. Extend convertibility guarantees to businesses more than 50 per cent owned by American citizens.

Note: Guarantees won't apply to existing investments.

► U. S. OUTPUT, percentagewise, grows faster than population.

Average annual increase in gross national product, 1948-54: 5.08 per cent.

Average net increase in population, same period: 1.6 per cent.

Production's dipped twice, down .4 per cent in '48 to '49; down 2.2 per cent, '53-'54.

Dollarwise production's boomed from \$257,300,000,000 to \$356,000,000,000. That's about \$98,700,000,000.

Population's up about 16,000,000 from 146,093,000 in '48.

National income—purchasing power—is up 35.2 per cent from \$221,600,000,000 in '48. Gross national product's up

38.3 per cent in same period.

Indication: Higher standard of living.

► WANTED: Defense plants out of target areas.

Government urges dispersal of industry, doesn't want compulsory program.

Treasury, Defense Departments try to aid in two ways:

1. Fast tax write-offs for facilities put up outside of major industrial concentrations.

2. Some contract work assigned by armed forces procurement on basis of dispersion.

Note: These efforts, to date, account for only small percentage of total new plant investment.

What to look for:

Decision on basic dispersal problems by National Security Council.

Note, too: New housing act contains statutory authority to finance dispersed housing facilities.

► U. S. LEADS WORLD in uranium production.

That's off-cuff comment of Jesse C. Johnson, director, raw materials division, Atomic Energy Commission.

He says:

Most uranium development is in small mines developed by private enterprise with aid of AEC.

U. S., taking lead in world production from Belgian Congo, can eventually be self-sufficient in uranium.

Production figures are classified.

► YOU'LL HEAR talk of new government department—Urbiculture.

It would be agency to study cities, aid development, help solve traffic, slum, other problems.

Compares with Department of Agriculture, which works with farmers.

Another possible bureau: External Revenue.

That would keep pace with foreign investment, income, payments by foreign business to U. S. Treasury.

Don't expect immediate legislation in this field. But do look for stepped-up public opinion feelers.

► BARTER GAINS HEADWAY in Western

Hemisphere. Countries with devalued currencies (Mexico, Brazil, among others) want to swap goods, keep at home what dollars they have.

Barter missions are in Europe now. They're weighing trade deals among themselves, too.

Example:

Bolivia swaps Brazil kerosene and gasoline for hides, cotton, coffee.

How will it affect U. S.?

Watch for project to take thousands of U. S. used cars off domestic market in exchange for south-of-the-border products, to be resold here.

► UPS AND DOWNS in national income reflect special business problems.

They don't necessarily add up to boom or slide.

Here's why:

Over-all national income's estimated for '54 at \$299,300,000,000. That's down 2 per cent from year ago.

But let's take national income apart, look at its segments:

Agriculture, forestries, fisheries are down only \$100,000,000 (from \$17,300,000,000).

Manufacturing takes the worst drubbing—down \$9,000,000,000 from year ago figure of \$100,000,000,000.

Contract construction's up \$600,000,000 from \$15,000,000,000.

Wholesale, retail trade show \$300,000,000 dip from \$52,300,000,000.

Finance, insurance, real estate are up \$1,500,000,000 to \$27,300,000,000.

Service industries at \$29,200,000,000 top year ago by \$700,000,000.

Communications, public utilities register \$700,000,000 gain to \$10,600,000,000.

Government and government enterprises at all levels are off \$300,000,000 from \$35,000,000,000.

Transportation is down \$1,500,000,000 to \$14,800,000,000. Mining dips \$100,000,000 to \$5,300,000,000.

Income from private investment in rest of world is up \$100,000,000 to \$1,600,000,000.

► THERE'LL BE fewer employe stock purchase plans.

Why?

NLRB rule in oil company case (Rich-

washington letter

field) makes plan subject to union negotiation—like other fringe benefits.

That's even though company shares half plan's cost.

Result: Companies will look twice before setting up fringe benefit that might give control of firm to union through stock purchase.

► **INVENTORY BUILD-UP** adds cheery note to year-end business forecast.

The figures:

Manufacturing, trade stocks approach \$81,000,000,000.

That's same as December a year ago, equals '53 annual average.

But it's up \$2,000,000,000 from third quarter, '54.

Where's most of gain?

At retail level, with current \$23,-000,000,000 figure up \$1,000,000,000 from year ago.

Fuller shelves anticipate Christmas holiday business, mean retailers see improvement over '53—or chance for bigger sales in January.

Manufacturers' new orders show healthy surge, too:

They stood last month at \$23,000,-000,000, up \$3,000,000,000 since beginning of year.

Note: New orders, inventory accumulation spell business confidence in consumer, mark birth of '55 upswing.

► **WANT TO** move your goods faster in '55?

U. S. Chamber's Domestic Distribution Department has 25-cent booklet, "Special Days, Weeks and Months in 1955" to help you.

Promotion possibilities range from the well known holidays to National Fur Care Week, One-Dish Meals With Cheese Month, Take Tea and See Week, hundreds more. Get your copy from Domestic Distribution Department, U. S. Chamber of Commerce, Washington 6, D. C.

► **CONGRESS MAY ADD** parking to its problems.

Here's why:

There's suggestion to revamp '54 tax code so banks may get tax credit for demolition of buildings to make off-street parking space.

Mechanics and Merchants Bank, Richmond, Va., and their tax accountant, Thomas M. Bullock, argue:

Banks throughout U. S. are in crowded, downtown areas, need room for customers to park.

As law stands, they get no business loss deduction for tearing down buildings on land purchased for parking lots.

Says Bullock: Proposed revision has wider application than to banks, would result in more parking lots if tear-down costs could be deducted.

But here's problem back of bank's problem:

Banks can't buy real estate for investment.

Property they own must directly contribute to internal operation of bank, show up on balance sheet.

Other businesses can buy lot and house, take depreciation for one or two years, then tear down house.

Cost of demolition then is deducted as business loss.

But bank has to declare it's going to tear down house to begin with.

And Internal Revenue frowns on attempt to take loss on property that's headed for scrap heap as soon as it's bought.

► **BRIEFS:** Drug store self-service, checkout counters, boost sales up to 30 per cent, National Cash Register Survey shows. . . . Net working capital of U. S. firms nears \$95,000,000,000, up \$2,000,000,000 from year ago. . . . Less than 60 per cent of U. S. income today goes for necessities; in 1900, families spent 80 per cent. . . . Steel industry in '54 turns out 8,000,000 more tons at average 70 per cent capacity than at 100 per cent capacity in 1950. . . . Finance firms revamp term loans on machine tools, construction equipment, other items, to match faster depreciation schedule in new tax law. . . . Study shows 71.9 percent of college women own typewriters, only 46.6 per cent of men. . . . Retailers take fresh look at walkouts by potential customers; number hasn't dropped in two years; inadequate selection of merchandise is principal reason cited by shoppers.



**man's
greatest gift
from heaven!**
**WATER! how long could
you live without it?**

America once had more water than it could use. Today supplying our 160 million people is a serious problem.

Our thirsty and expanding nation demands more and more water. For homes, industry, agriculture. America's waterworks engineers are meeting this challenge with typical skill. But their efforts alone are not enough.

They need your help if you, and your children are to continue to enjoy a plentiful supply. *So use water, enjoy it . . . but conserve it wherever you can.* Man's greatest gift from heaven is too precious to waste. Cast Iron Pipe Research Association, Thos. F. Wolfe, Managing Director, 122 So. Michigan Ave., Chicago 3.

**Most dependable
water carrier
Cast Iron Pipe**

This cast iron water main, laid 133 years ago still serves Philadelphia. Today, MODERNIZED Cast Iron Pipe, centrifugally cast, is even tougher, stronger.



**WATER, your priceless heritage . . .
use it . . . enjoy it . . . protect it with . . .**

**CAST IRON
PIPE**



Letters TO THE EDITOR

Corn is king in Iowa

Corn is king in Iowa by every standard, be it bushels, acres or dollars. Iowa was the first state in the union to produce a billion dollar corn crop. Likewise, Iowa annually leads the nation in the production of corn. Iowa is known as the Corn State. This is, of course, not meant to belittle the astounding industrial growth that has taken place in our state since 1945. With these facts in mind, I would ask that you examine the article entitled "Corn Harvest" in the November, 1954, issue of NATION'S BUSINESS.

Nowhere in this article is Iowa mentioned as the leading corn producing state. It mentions Michigan, Ohio, Kansas, Nebraska, Minnesota, Wisconsin, Kentucky and Missouri, but not Iowa. It seems to me quite a serious oversight not to mention Iowa especially since we do rank supreme as an agricultural—corn state.

T. E. DAVIDSON, II
Iowa Development Commission

Coal's problems

I have read the article which appeared in NATION'S BUSINESS as a result of Mr. Joseph Gambatese's interview with the undersigned.

I must say that the article as published typified accurate reporting and good arrangement, as well as logical presentation.

JOHN L. LEWIS, Pres.
United Mine Workers

I want to congratulate you for the very fine article on our industry which

appears on page 40 of the November issue of NATION'S BUSINESS. The editorial recognition of the importance to the nation of the problems now besetting the bituminous coal industry is of real value to our country.

We here have been following the progress of NATION'S BUSINESS through the years and want to say that we feel that it continues to perform an ever greater service to its readers.

JAMES H. CUNNINGHAM
Bituminous Coal Institute

Needle with a smile

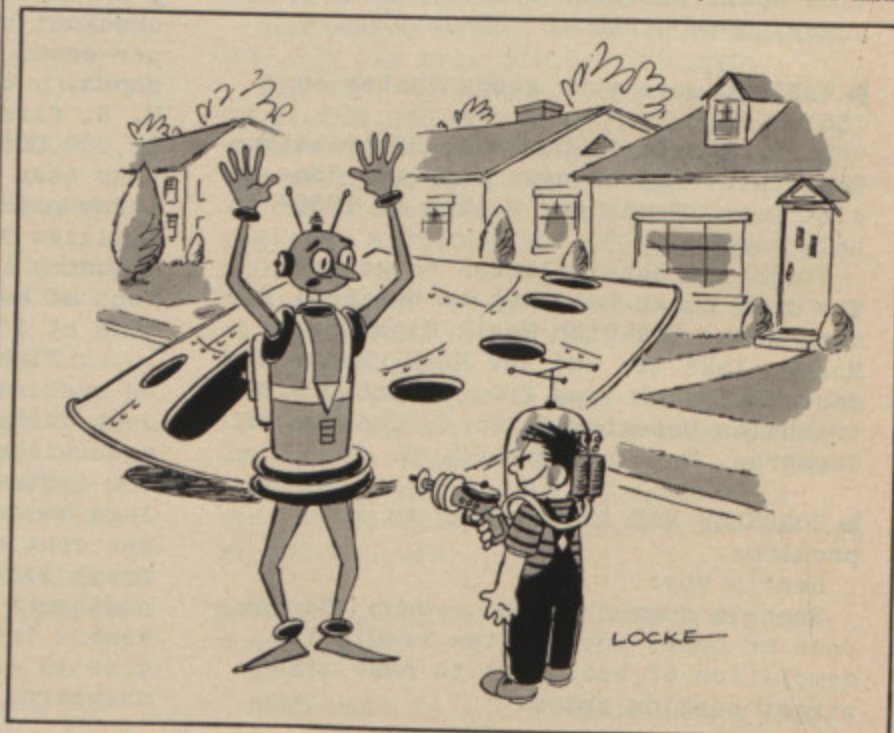
In the Washington Letter for October, while discussing dog food you state "Americans feed 23,000,000 of the pets annually." I just cannot believe that a dog could survive if fed on an annual basis. We feed ours twice a day and even then we find them snitching food from the baby and the cats.

R. W. COWARD
Chairman of the Board
The Fly Ash Arrestor Corporation
Birmingham, Ala.

Supermarket opportunity

As an Australian it was with real pleasure bordering, in fact, on a thrill, that I read Richard Tregaskis' "U. S. Business Finds New Frontier" in your September issue. Young, and over here on my own initiative to learn more of your retailing know-how, I couldn't agree more with his contention that "almost any business tackled with American know-how and energy prospers in Australia."

The food industry is one not men-



tioned by Mr. Tregaskis which is wide open for development. In this country where it is so fiercely competitive it is feasible that some of the larger super-market chains could consider extending their operations to Australia. It seems that cafeteria-style American restaurants would have an equally bright future.

KEVIN J. COSGRAVE
Detroit, Mich.

Ward was first

I have been very much interested in your fine article "Religion in Industry" (June). You stated that "the R. J. Reynolds Tobacco Company of Winston-Salem, N. C., was one of the first to put this idea (an industrial chaplain in their plant) into effect."

What you may not know is that the late Mr. Ward, whose initials I have forgotten, head of the Ward Baking Company, conceived and put this very idea into effect in all of his plants at least 25 or more years before the Reynolds Company did. It was very successful and effective.

ARTHUR C. GRAFFLIN
Sewickley, Pa.

Très bien already

Your October issue carries an article about the bulb industry in Holland. Time and again in American magazines, newspapers, etc., I find that German words or partly German words are used in describing a Dutch action, a name or what have you.

The article in question uses the word "huisfrau" which is half Dutch and half German. The correct spelling is "huisvrouw."

MAURICE BLOM
General Foods Corporation
White Plains, N. Y.

"... and plural huisvrouwen."

FLORIS KIKCHNER
Harkema, Incorporated
New York, N. Y.

Struggling France

The article entitled "Our Front Against Reds Hinges on French Comeback" (November) was interesting, informative and eminently truthful. Moreover, where he notes that nearly 1,400,000 Frenchmen (and North Africans) were killed in World War I, he has put his finger on the crux of the French dilemma.

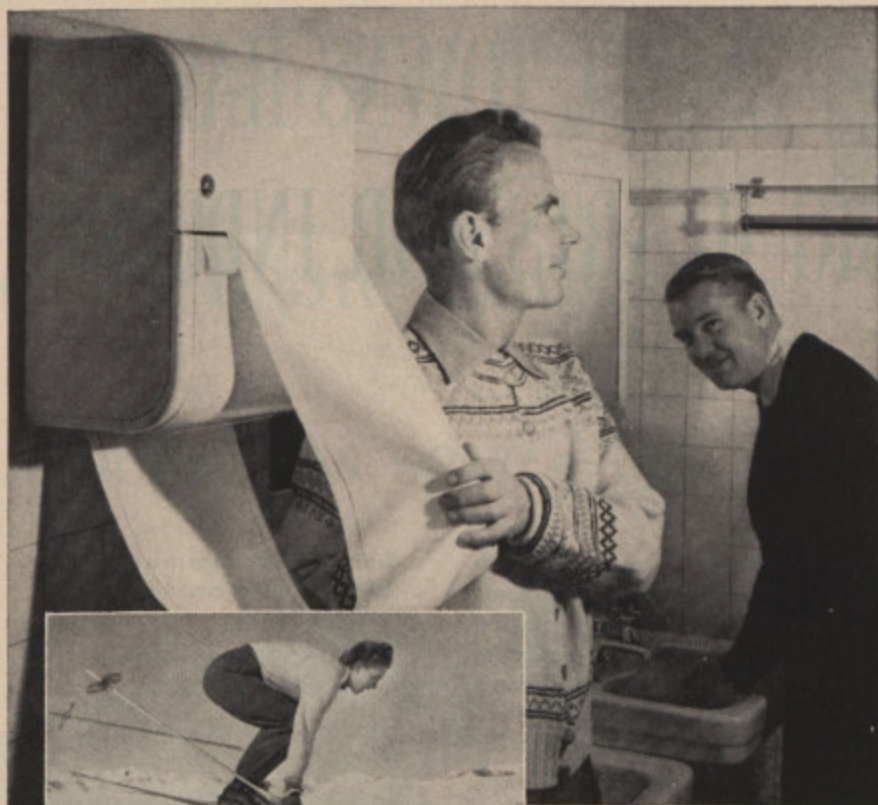
For there can be no doubt that the flower of French manhood, the heart and spirit of France, perished in the war of 1914. France is not a first-class power and, what is more important, has not been a first-class power since 1871. So far as the free world is concerned there is no France. France died gallantly some 28 years ago.

STANLEY W. LIFFLANDER
2312 Avenue O 1/2
Galveston, Texas

Southampton's river

Avast, ye landlubbers! Vernon Pizer in his article "Turnaround" (August)

At SUN VALLEY comfort and cleanliness call for cotton towels



*Fairfax cotton toweling used in Sun Valley facilities is supplied by the American Linen Supply Co., Boise, Idaho.

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Clean Cotton Towels...

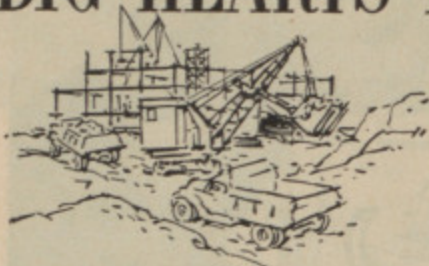
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WELLINGTON SEARS CO., SELLING AGENTS, 65 WORTH STREET, NEW YORK 13

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add \$270,000 more in bank deposits —

produce \$360,000 more in annual retail sales —

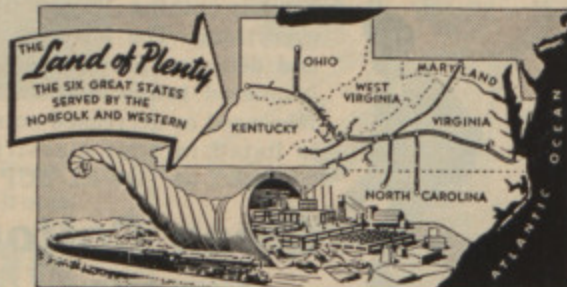
and add 296 more people who will vote, pay taxes, support churches and charities, and make an all-around stronger community.

Communities along the N. & W. offer important advantages for efficient manufacture and distribution — *plus an appreciative and cooperative public.* Let our plant location specialists tell you about ideal plant sites in such communities . . . in confidence and without obligation.

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Drawer NB-662 (Phone 4-1451, Ext. 474)
Norfolk and Western Railway
ROANOKE, VIRGINIA

Transportation is a major factor in good plant location. Consult your traffic manager when you're choosing a plant site. He's a transportation expert.

*All statistics based on averages established by the U. S. Chamber of Commerce.



Norfolk and Western

RAILWAY

is quite correct when he states that the S.S. *United States* threaded her way through the river traffic on entering the port of Southampton and "on departure she straddled the river escorted by tugs."

And a zero in geography to James Curley of Angola, N. Y., who claims in his letter to the Editor (October) that "there is no river at the entrance of Southampton Port. Ships go directly from the English Channel to whatever dock is their official tie-up."

Arthur Mee's *Hampshire* published by Hodder and Stoughton, 1939, says: "The Older Port of Southampton is on the tip of the land between the Test and the Itchen (rivers)."

While in service with the U. S. Air Force in Great Britain, on many occasions I rode down the river on a tugboat to board the S.S. *United States*.

ROGER E. MAKEPEACE
Chaplain (Capt.) USAF
Bartow, Fla.

Asks extra copies

I am so impressed with your editorial on "Tyranny, Union Made" (October) that I wonder whether you could supply me with a dozen extra copies of this page.

W. H. HENDREN, JR.
United Film Service, Inc.
Kansas City, Mo.

My attention has been directed to an article in your November issue entitled "Their Roads Buy Themselves." It is on toll roads and bypasses, and I have found it to be of considerable interest to us here in Vincennes.

We are in the position to obtain from the state and federal government a bypass around our city which will involve several million dollars expenditure and will aid us considerably in flood protection.

Most of us are convinced that this bypass around the city will be a good thing for us, but there are a few people living on the Illinois side of the river here who feel that their taverns will be affected.

Since your article contains statistics and facts, I am interested in obtaining about a dozen copies.

EUGENE STOCKER
Mayor of Vincennes
Vincennes, Ind.

Reservists' reading

You will be interested to know that I cited the article entitled "Big Hole in Our Military Power" (October) to a group of Air Force reservists at their training meeting today.

I thought that the article in question merited coverage in my briefing and is recommended reading for every reservist and his family.

WILBUR E. HENRY, JR.
Vice President
American Association of Public Information, Education and Research
Washington, D. C.

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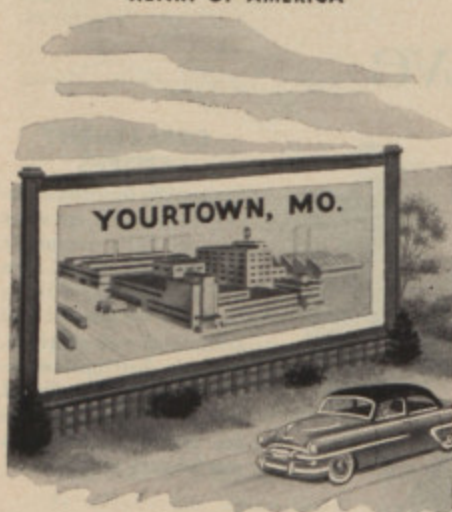
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**MISSOURI DIVISION OF
RESOURCES AND DEVELOPMENT**

Dept. L-483

Jefferson City, Missouri

BY MY WAY

Redduff



And a Merry Christmas

THE WISE MEN who have studied human nature speak of man's instinct of aggression, his vanity, his jealousy, his fear and other qualities we wish we didn't have. But I am sure, after some years of living in this world and watching people, that there is also an instinct of good will. It is that instinct that keeps Christmas alive, year after year, century after century. We really want to help our friends, neighbors and relatives; we really want to make them happy; we rejoice at smiling faces around us. And so, to everybody reading these words: many smiling faces and a Merry Christmas.

Travel notes

A FEW TRAVEL NOTES: State lines do correspond somewhat to the looks of the country: West Virginia's mountains are more broken up than those of Pennsylvania; Ohio's rolling hills are gentler; the Illinois prairie has more ups and downs than that of Kansas or Nebraska, but still you can see quite a distance. . . . The simple life persists in spots; in Brandt, Ohio, we saw a heifer staked out in front of a nice little white church; no doubt its owner took it elsewhere on Sundays. . . . The use of old barns as billboards continues. . . . You could trace lines of migration by the styles in architecture. . . . Some of us have a tickle inside that can only be scratched by travel; how we love to run around!

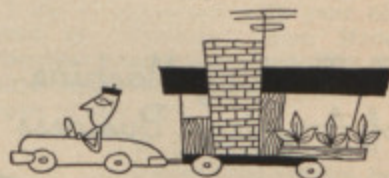
No more farms—just roads

JUST AS SOME ancient Indian tribes of the Middle West were known as Mound Builders, I suspect that our generation will be described ages hence as Road Builders. And sometimes I wonder, as I travel our great highways or look at the vast networks of thoroughfares, if our civilization will not perish of starvation—all the land will be taken up in roads and there will be none left

to cultivate. I don't predict this—I just say I wonder.

The trailer urge

A DECADE or so ago some of us feared that the American home would be replaced by the trailer. This has not happened. The home



still exists, though the trailer seems here to stay. The trailer, my wife and I thought as we motored around, is in the American tradition: It is the modern version of the Conestoga Wagon or Prairie Schooner. The difference is that, since there is little or no free land on which to homestead, the trailer comes to rest only briefly, then moves on. But the pioneer urge does not die—we all love to be on the go, and some of us, especially the trailer tribe, manage to turn the dream into a reality.

Lewis, Clark and Hollywood

A PONY EXPRESS rider, fresh in from Hollywood, reports that quite a number of motion picture films touching on and pertaining to Lewis and Clark, the explorers who discovered the road to Oregon, are now in process of planning or production. The present states of Oregon and Washington were parts of the Louisiana Purchase, which cost this country the then large sum of \$23,213,000, and took in New Orleans as well as the sites of present-day Portland and Seattle.

We almost had a war with our British friends over the northern boundary, but happily decided not to. It is an interesting thought that the motion pictures about Lewis and Clark, all told, may bring in as much as the total amount paid for "Louisiana." This shows that if you hang on to real estate long enough you may (or may not) make a profit on

it; and the same goes for the spirit of adventure. Lewis and Clark would still interest me if they hadn't found anything worth a cent.

Why are women so neat?

I LIKE WOMEN. In fact, I don't know what we would do without them. But I wonder sometimes why they have to be so neat. I was thinking of this a few days ago when my wife was temporarily absent from our house. The place was big and lonesome, as it always is under those conditions. It was also neat—for the first half hour or so. Then the neatness began to vanish.

I think my wife smiled to herself when she came back and saw how things were—clean enough (I did wash the dishes and put out the trash and garbage) but frankly disorderly. How do women manage, I repeat, to be so neat? Why do they want to be? But I like them—let there be no mistake about that.

"Beau catchers" still here

I REMEMBER my maternal grandmother saying that when she was a young woman girls used to wear curls in front of their ears, and that these were known as "beau catchers." We had a picture of my grandmother at 17, and it seemed to me



that she really hadn't needed beau catchers, but she had them just the same. The other day, looking about me on a commuting train (as every man, of any age, has a right to do) I noticed a young female commuter. Sure enough, she was wearing beau catchers in front of her ears and, sure enough, a nice young man came along and sat down beside her.

Today's Magellans

THERE have been many years in my time when it wasn't safe, or even possible, to go on a round-the-world pleasure tour, because at various places along the route some one was likely to be doing some shooting. Now I feel cheered to know that one can circumnavigate at his ease in about three months, taking in 21 ports and lots of water along the way. All that is needed is the money and the time. And those of us who haven't enough of either or both can dream about such a voyage.



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Photos, left to right, show concrete paving in a street in Bellefontaine Neighbors, Mo., a two-lane road in Kittitas County, Wash., a modern four-lane divided highway near Baltimore, Md.



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Trends

of Nation's Business



GEORGE LOHR

THE STATE OF THE NATION BY FELIX MORLEY

THE EFFORT to eliminate racial segregation in the public schools, deemed overdue in some areas and premature in others, has brought one undeniable gain. Because of the integration problem, parents are now giving more attention to the general character of public instruction. And they are finding that while our schools are teaching many novel subjects supremely well, reading and writing and 'rithmetic are losing caste.

The teaching profession, from state superintendents down to this year's crop of normal school graduates, of course realizes the enormous change in educational standards during the past generation. Those parents who discover that Tommy and Mary are more familiar with the United Nations than with the multiplication table are also aware that the methods of instruction are not what they used to be. Their doubts, however, are met by professional assurances that all is well; and for the best.

In the words of one leading schoolman: "We cannot go back to the old education any more than we can go back to the horse-and-buggy doctor, to the back-yard pump or to the kerosene lamp."

Put in those words, current educational theories carry conviction. But tests of the results of these theories are telling another story. A recent survey in Los Angeles, for instance, revealed that 18 per cent of 11,000 high school juniors didn't know how many months there are in a year. And nine per cent of these juniors couldn't say how many three-cent

stamps the post office will sell for three silver quarters. It is said that with education now compulsory for all, such surveys include institutions for the mentally retarded. But if these are called "high schools" the analysis is fair.

In any case, ignorance of fundamentals is seemingly nationwide. To offset the Los Angeles story I can myself name an eastern college where nearly 20 per cent of the freshmen from public high schools were this year found to require "remedial reading." In less ambiguous words this means that one fifth of the high school graduates, asked to read a page picked at random from any standard novel, could not do so without a fumbling and stumbling that proved they did not comprehend the subject matter.

Personnel directors are perhaps particularly aware of this virtual illiteracy among many youths who can proudly exhibit a high school diploma as passport to a job. Last year an enterprising teacher in a New York City high school interviewed the employment offices of 13 business firms to get the benefit of their experience with "commercial" graduates. His rueful report was widespread dissatisfaction because the typists could not spell, and could not correct this deficiency with a dictionary "because they are not sufficiently familiar with the order of the letters in the alphabet."

The mechanical ability to type was well developed, but not the comprehension of word structure. And it would seem that this effort to construct the roof before laying the foundations is the essential difference between the new education and that

Trends

so scornfully dismissed as "horse - and - buggy." Unfortunately, there is no gain in substituting electricity for the kero-

sene lamp, unless the lines of communication operate. The charge against modern education is simply that it has scrapped the old lighting system without providing any dynamo for the new.

Confronted with this charge at least some "modernists" in education defend themselves by an intensified offensive. This autumn a well known weekly business letter listed vocational courses which the high schools are adding to train their graduates for jobs. They include "cosmetology," dental hygiene, advertising, and retail buying. The Federal Office of Education actively promotes scores of such courses. But the value of a copy writer who can't spell, or of a salesman who can't add, remains dubious. The nature of the problem was well put by the mother who said that at school she learned arithmetic, while her parents took her to the zoo. Now the school takes her daughter to the zoo and the arithmetic is taught at home.

That anecdote, and others less amusing, is found in the pages of a current book entitled "The Diminished Mind," which also calls itself: "A Study of Planned Mediocrity in Our Public Schools." The author is Mortimer Smith, best known for his writings in the fields of biography and social history. But Mr. Smith's indictment of contemporary schooling is not less worthy of attention because he himself is not a professional schoolman.

This critic is not an alarmist, and certainly not a fossilized reactionary. "I do not believe," he says, "that the little red schoolhouse represents the peak of educational achievement," nor that "our schools are hotbeds of communism." On the other hand Mr. Smith asserts flatly that the primary purpose of education "is the improvement of persons and only secondarily the improvement of society." With this definition all educators up to relatively recent times would have agreed. Produce good men and society will be the better for them. But to produce a superior society with only mediocre citizens is impossible.

It is Mr. Smith's thesis that the degeneracy of precollege learning started with the rise of so-called "progressive education." This was not so much because those "progressives" are hostile to classroom discipline but rather because they neglect moral values and assert that "the educational process has no end beyond itself," to quote John Dewey. However, two later theories, known as Life Adjustment and Social Reconstruction, have gone far beyond what any of the old "progressives" advocated.

The Life Adjustment theory, put baldly, is simply that approximately 60 per cent of American high school students are so mediocre that they can

neither be prepared for college, nor trained adequately in any vocation requiring more than simple manual skills. Therefore, it is concluded, the entire curriculum should be softened, and all grading based on intelligence abandoned, in behalf of what are vaguely called "the general areas" of citizenship. How illiteracy can actually be idealized by this procedure is revealed by the following quotation from the *Bulletin* of the National Association of Secondary-School Principals:

When we come to the realization that not every child has to read, figure, write and spell . . . that many of them either cannot or will not master these chores . . . then we shall be on the road to improving the junior high curriculum.

"Life Adjustment" is defended for its emphasis on social cooperation; certainly essential in a democratic society. But that defense ignores the question of whether a quasi-illiterate society can remain democratic. And the idea behind the further theory, of "social reconstruction," is even more controversial. As the term implies, the idea here is that school children should be consciously indoctrinated with the idea of a better society, to be created through resolute group action. The purpose is to develop more "liberality of thought"—away with painful drill in the multiplication table!

Mr. Smith cites test statements actually posed in schools to determine whether the thinking of students is "liberal." One such is: "Public education ought not to be supported by federal funds." To approve that assertion is to demonstrate that you need "social reconstruction." The same need is made apparent if your child says "no" to the statement that: "Income taxes on the rich should be greatly increased."

Mr. Smith emphasizes that these are very unusual cases. He finds many public schools and individual teachers who refuse to go along either with the theory that a majority of children can never learn, or with the theory that those who cannot think for themselves should be indoctrinated. But Mr. Smith, by an abundance of careful documentation, also makes plain that the subordination of individuality to group compulsion, at the intellectual level of the least intelligent, is now widely accepted "methodology."

In my own state of Maryland this "neopedagogy" has certainly been carried a long way. I have before me an article on the subject by the principal of a junior high school not many miles from Washington. The modern teacher, it says, "is a director of learning rather than a hearer of lessons. . . . When the teacher assumes the greater position of director of learning, he . . . determines where the learning is to lead."

We may at least be thankful that George Washington and Abraham Lincoln successfully avoided "directors of learning."



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1 Thorough Survey. C. C. Bassett (pictured at right), executive of Belknap Hardware and Manufacturing Co., confers with a G-E trained expert, W. R. Ward of Ward Refrigeration & Engineering Co. on their specific air conditioning needs.



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GEORGE LOHR

WASHINGTON MOOD

BY EDWARD T. FOLLIARD

THE DIRECTION of the Government remains what it was—approximately middle of the road.

Joe Martin soon will be handing over the Speaker's gavel to his political rival but good friend, Sam Rayburn, probably with a quip about getting it back again in 1956. There will be more banter as ranking Democrats, most of them southerners like Rayburn and just about as radical, move into Senate and House chairmanships.

The change in Congress, as Washington sees it, will be largely a change in prestige and power, with no sharp change in course indicated.

Knowing this, some of our political leaders have been eating words they uttered in the heat of the 1954 campaign. This includes President Eisenhower himself. He has graciously acknowledged that some of the things he said in warning about a split government—his forecast of a political "cold war" and his remark that two drivers at the wheel could only land "in the ditch"—were a little on the extravagant side.

All things considered, the aftermath of the off-year election has been the strangest of our times. Ordinarily an election winds up with a jubilant winner and a downcast loser, along with a lot of talk about a "mandate." It hasn't been that way at all this time.

The Democrats are gratified at winning control of Congress, naturally, but it would be an exaggeration to say that they are jubilant.

The Republicans are disappointed, but they're certainly not melancholy. It didn't hurt nearly as much as some of them feared it would.

There is no talk at all about a mandate.

The explanation for this seeming paradox lies in the closeness of the outcome on Nov. 2, and the absence of any strong political tide or any sign of widespread discontent among Americans. The election offered no sure-fire clue as to what is going to happen two years from now.

For a long time, loss of Congress by the party in power was regarded as an almost infallible portent that the winners would take over the White House in the next election.

The Democrats would like to think that last month's results was such a portent, but they're not too sure about it. At least they are not ready to give

odds on it—not if President Eisenhower is to be the Republican standard bearer again.

The Republicans, as Chairman Leonard Hall has said, are convinced that the election showed no trend against the Administration, and they sincerely believe that they will have an excellent chance to win in '56, provided, of course, President Eisenhower agrees to run.

This, the question of what the President will do in the next go-round, promises to be Washington's hottest topic of speculation in the days ahead.

Right now the Chief Executive is thinking mostly about the practical problem he has on his hands—how to conduct the affairs of a nation of 162,000,000 people with a divided government in Washington. He has been looking up precedents, trying to learn from the experience of other White House occupants who had to wrestle with a similar problem, and he has been surprised at the wealth of material that exists to guide him.

• • •

Since the Civil War, nine Presidents have had to deal with a Congress in which the opposition party controlled one chamber. Four have had to contend with a Congress in which the opposition controlled both Senate and House.

The most recent instance of a split government was, of course, brought about by the 1946 election, when the Republicans took over both the Senate and House in the Truman Administration.

President Eisenhower could learn a lot from that political upheaval, and so could we all.

Rarely in our history were so many bad judgments and interpretations made by the politicians and the pundits. For one thing, there was alarming talk about the "chaos" that would result from having a Democrat in the White House and Republicans in command on Capitol Hill. There was no chaos.

Many political writers, including this one, believed that the voters in 1946 had started the curtain down on the New Deal era, and that the Republicans would almost certainly take over the White House as well as Congress in 1948.

President Truman thought that the election of a Republican-dominated Eightieth Congress was "a

Trends

catastrophe." Yet it was that Congress that helped give him his strongest claim to fame as a statesman. Ironically, it also gave him

his winning issue two years later.

No matter how bitterly a President may feel about a setback at the polls, he is obliged always to remember that he is the leader of all the people. Mr. Truman, after the '46 election, nursed his wounds and kept silent for six days. Then he made a statement that was widely acclaimed by both Republicans and Democrats.

He said that he accepted the election verdict "in the spirit in which all good citizens accept the result of any fair election." He then offered to cooperate with the Republican members of the new Congress.

"To them, one and all," Mr. Truman said, "I promise to meet good will with good will."

• • •

Historians are likely to rate highly the events that followed, especially in the field of foreign affairs.

The world picture, it will be recalled, was a disturbing one, with Russia seeking to extend her power in Asia and in a Europe that was alarmingly weak and dispirited. The Eightieth Congress, working with Mr. Truman, pushed ahead with a series of bold actions that sent a thrill of hope through the whole free world.

First, it approved the Truman Doctrine, which called for military and economic aid for Greece and Turkey and was aimed at halting Russian aggression. Then it approved the Marshall Plan, which put Europe on its feet economically. And on top of this, the Senate adopted the Vandenberg resolution which paved the way for the North Atlantic Treaty and the creation of powerful forces in Europe.

In the domestic field, the Eightieth Congress enacted the Taft-Hartley Act, cut the income tax over Mr. Truman's veto, enacted a draft law, proposed the Constitutional Amendment to limit future Presidents to two terms, and acted on a long list of other measures.

It refused to give Mr. Truman what he asked for in the way of controls over prices and wages, housing legislation, extension of Social Security, and money for public power projects.

How Mr. Truman passed over the accomplishments in the foreign field and went out on the stump in 1948 with his cry of a "do-nothing, good-for-nothing Eightieth Congress," and how he won an election that was supposed to be in the bag for Tom Dewey, will always be one of the most astonishing chapters in the annals of American politics.

Among other Presidents who had to deal with an opposition Congress was William Howard Taft. He didn't think it was so bad, at least in retrospect. Writing years later in his book, "Our Chief Magis-

trate and His Powers," Mr. Taft had this to say about a split government:

"On the whole, I do not think the country suffers from this in an age and generation when the bane of political methods is in the overwhelming mass of ill-digested legislation. Therefore a system in which we have an enforced rest from legislation for two years is not bad. It affords an opportunity for proper digestion of recent legislation and for the detection of its faults."

To get back to President Eisenhower, the view here is that he is in a much better position than Mr. Truman was in similar circumstances. J. R. Wiggins, a keen student of our political history, has listed some of his advantages as follows:

"He does not have the record of a party leader whose political past makes him anathema to the opposition party.

"His personal prestige has not been shattered, as was Grant's, for example.

"His support in the country, and much of his support in Congress, always has been bipartisan."

President Eisenhower has in mind no startling departures in domestic or foreign policy that would bring violent opposition from the Democrats. At the same time, he seems to have power enough to prevent any startling alterations in the program he has already put through.

The worst that could happen in such a situation would be a slowing down of the legislative mill—something that William Howard Taft insisted was "not bad."

What about President Eisenhower? How has the 1954 election affected him? Outwardly there has been no change in his demeanor. He seems determined to get along with the Democratic legislative leaders as best he can to the end that the national welfare will be served. He is determined also to work for programs which he thinks "represent progress for America," and he has sounded this warning to the new bosses of Congress:

"If there are any roadblocks thrown in the way, I am not going to be responsible. I am going to do my very best right down the line."

There is much talk of "harmony" here, but undoubtedly it is being overdone.

• • •

A lot of politics will be played in the Eighty-fourth Congress; with a presidential election ahead it could hardly be otherwise. Still, the politicking is not likely to be as riotous as some have predicted. There are shrewd men in command of both great parties. They realize that the best way to win the votes of Americans is first to win their confidence. They realize, too, that the voters they will need two years hence are those who are not wedded to either of the two great parties.

Meanwhile, political reporters here are guessing that the campaign buttons of 1956 will bear two familiar names—Ike and Adlai.



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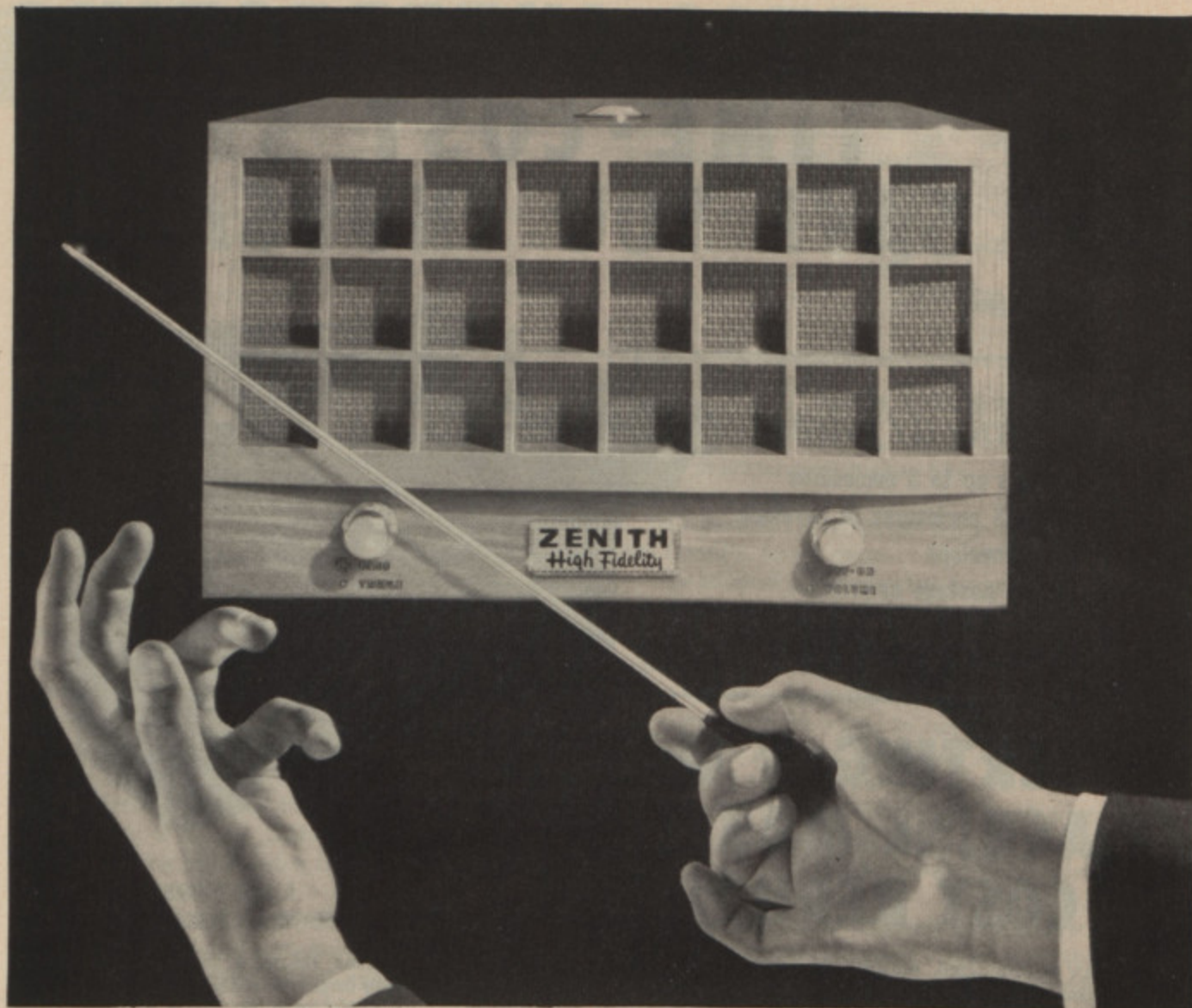
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We taught the phonograph how to keep time (and better High Fidelity wasn't the only result)

Engineers have long recognized that it is impossible to obtain High Fidelity from any phonograph unless the record is played at the exact speed at which it was recorded. It is a surprisingly little known fact that even the finest record players vary in turntable speed at time of manufacture and get worse as they grow older. A variation of only one rpm in turntable speed will make an LP record sharp or flat by a full quarter tone.

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sates for any gain or loss of speed in the turntable.

Part two was the stroboscope speedometer. It showed by dots of light when the record was playing at exact studio recording speed. The stroboscope, operating in conjunction with the speed regulator, assured, for the first time, that you could play every record at the speed necessary for true High Fidelity reproduction.

Better music from recordings wasn't the only result. Such continuing electronics research at Zenith yields two benefits:

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HERE ARE THE ISSUES CONGRESS FACES IN '55



The return to Democratic control of Congress can be expected to generate pressure for such traditional Democratic policies as high farm price supports, more tax relief for individuals and less for business, expanded social security benefits and more federal spending

By **CHARLES B. SEIB**

"WHAT WILL it mean in '56?"

That question will hover over practically every issue that comes before the Eighty-fourth Congress, which convenes in January.

For the next two years, the Democratic majority in Congress, the Republican minority—and, of course, the President and his advisers at the White House—will be thinking, talking and acting with one eye on the approaching 1956 presidential race.

This preoccupation won't cause the all-out political "cold war" that President Eisenhower warned against in his fall campaign speeches for Republican candidates. There will be bipartisan cooperation on some issues—notably foreign policy and national security—and only random sniping on some others.

But on many domestic matters—farm price supports, taxes, public power, welfare programs—the 1956 vote potential involved will be a major consideration in deciding party policy and will cause some fairly sharp political skirmishing.

Generally speaking, the return to Democratic control in both House and Senate can be expected to generate pressure on Capitol Hill for such traditional Democratic policies as high farm price supports, more tax relief for individuals and less for business, expanded social security benefits and more federal spending.

But there certainly won't be any mad stampede toward another New Deal.

Many key committee chairmanships will fall to very conservative southerners like Senator Byrd and Representative Smith of Virginia and Representative Barden

of North Carolina. In both houses, conservative Southern Democrats will be ready to form their traditional alliances with the big Republican minorities to brake any drive towards excessive New Dealism. Then, too, the Democrats face an important difference from their former days of Congressional control: a highly popular Republican President in the White House, ready to use his veto power.

In addition to tempering the zeal of some New Deal Democrats, these factors will make it easier for the Democratic Congress and the Republican White House to arrive at necessary legislative compromises. And since the Democrats in Congress will be operating under these restraining influences, there would not be too great a change in the legislative situation in many fields should some event cause the Democrats to lose their razor-edge control of the Senate.

But assuming the Democrats control both houses of Congress, what can their leaders be expected to try to do?

For one thing, they'll remember that their party's candidates hit heavily during the recent campaign at unemployment, slumping farm prices and other "soft spots" which they claimed developed in the economy during the first two years of the Eisenhower administration. They can be expected, therefore, to push during the coming two years for measures they think will produce prosperity and, incidentally, Democratic votes in 1956. In so doing, they will be setting the stage for conflict with the President, because Democratic prescriptions for economic well-being will often differ sharply from those of the White House.

An example is the question of how to bolster farm income. This summer, under presidential prodding, Congress broke away from the long-standing 90 per cent rigid price props under the six basic farm commodities and legislated a start toward flexible price supports keyed to the fluctuations of supply and demand.

Democrats overwhelmingly opposed this change at the time, and Democratic candidates in farm areas campaigned this fall on a promise to restore 90 per cent supports. Now Representative Cooley of North Carolina, who will head the House Agriculture Committee in the new Congress, says he will sponsor a bill to do just that, and predicts that the House will approve it. Senator Ellender of Louisiana, who'll head the Senate Agriculture Committee, is also a 90 per center and may

THE ISSUES *continued*

lead a drive in the Senate for a return to the old support setup. The only question troubling the Democrats is whether to try to put the 1955 basic crops back under the old system or to hold off until the 1956 crops.

The Democrats argue that a return to rigid supports will send farm prices and farm income up and persuade the farmer to spend more freely on tractors, trucks, appliances and buildings. This, they say, will boost industrial production and construction activity and improve the entire economy. They reject the administration's contention that rigid supports produce unmanageable farm surpluses which, in the long run, weaken the economy.

Privately, Democrats admit that the President probably would veto any 90 per cent bill—and that, from a political point of view, they don't mind if he does. They will have made the record on which they want to go to the farmers in 1956.

Many Democrats also will favor tax cutting as a stimulant for the economy, and here again their ideas will frequently run counter to those of the administration.

The Treasury Department is expected to ask Congress to extend for another year or more the 52 per cent corporate tax rate, now scheduled to drop to 47 per cent on April 1. It's likely to ask for extension of present excise tax rates on automobiles, liquor, gasoline and tobacco, also slated to drop next April. Treasury prob-

reductions so long as the federal budget is still in the red. But other Senate Democrats and probably some Republicans will be pushing for excise cuts as a means of stimulating consumer spending—and getting votes.

Democrats will look with jaundiced eye on the Treasury's "technical" relief proposals. Leading party figures, including Representative Rayburn of Texas, who will be Speaker of the new House, are talking up the idea of a full-scale congressional study designed not only to go over the administration's new recommendations but also to point out "flaws" in the huge over-all tax relief and revision bill passed by the Republicans this year.

Some Democrats are urging cancellation of all or part of the relief voted in the tax revision bill for double taxation of corporate dividends. Certainly some effort will be made to do this in 1955 or 1956, but the best guess is that the Democrats will not replace what they call the "tax relief for the wealthy and the big corporations." Instead, they'll use it as a lever to get new relief for "the little fellow." This, the Democrats will argue, will even things up.

Democrats are not now inclined to push in 1955 for the boost in individual income tax exemptions they championed in 1954. They'd prefer to leave that for 1956—presidential election year. But they might press for the higher exemption sooner if they're convinced it's necessary to boost purchasing power and consumer spending.


Another Democratic plan for pepping up the economy will be a general policy of high federal spending. House Speaker-to-be Rayburn and Senator Johnson of Texas, who'll be Senate majority leader, both pledge their party to give the President just about every dollar he requests for military and other national security spending. In fact, Mr. Johnson and some other senators indicate they might even be inclined to give the President a little more than he requests for the Air Force and Army.

The Democrats also say they'll try to get new public power, flood control, reclamation and other public works projects under way, and this will frequently conflict with the administration's philosophy of stressing private rather than public development of new power sites. The Democrats figure these projects will not only help the economy but will prove good vote-getters in the Far West, an area which, as the 1954 elections showed, plays an increasingly crucial role in determining House and Senate control.

Of course, Congress can't make the President spend more money than he wants to. But if he refuses to spend money provided by Congress for a particular power project or military program, that will—like a farm bill veto—provide 1956 campaign ammunition. And there's the added possibility that if the President does spend heavily and the Democrats do cut taxes, the administration would be forced to ask another increase in the legal ceiling on the national debt. This would supply more material for Democratic politicking.

The Democrats probably will also seek to stimulate more government aid to small business. This will take the form of a sharp attack on the Small Business Administration, designed to force it to liberalize its loan policy—and, perchance, to embarrass the President. Senator Sparkman of Alabama and Representative Patman of Texas, who will head the Senate and House Small Business Committees, will argue at public hearings that SBA hasn't made full use of the powers given it to help small companies, that it has been too slow and stingy on loans, that it has had harmful high interest rates, and that it has been a hotbed of political favoritism, top-heavy with high-salaried personnel.

The Democrats may try to boost the present \$150,000



Unless the economy takes a dip by spring, the Democrats will likely go along with the administration request for extension of the 52 per cent corporate tax rate. This fits in with their traditional policy of heavy taxation of business rather than of individuals

ably will attempt to soften the disappointment caused by postponement of these tax cuts by asking Congress for certain technical tax relief measures. These may include proposals to ease levies on foreign income, defer taxes on money put aside for specified retirement plans, and make a start toward removing the tax on consolidated corporate income tax returns and intercorporate dividends.

Unless a business dip develops by spring, the Democrats will likely go along with the administration's request for extension of the 52 per cent corporate tax rate. This fits in with their traditional policy of heavy taxation of business rather than of individuals.

There likely will be a strong drive in the House, however, to go counter to the Treasury's excise extension proposals and provide some relief—certainly on autos and possibly on liquor, tobacco and other items. In the Senate, such a move by Democrats would run into opposition from a fellow party member—Senator Byrd. He'll head the Finance Committee, and in that key post will continue his long-standing opposition to any tax

SBA ceiling on loans, increase its present \$80,000,000 loan kitty, and lessen the authority of the loan policy advisory board, which consists of the Secretaries of Treasury and Commerce, and the SBA Administrator.

There's still another device which Democratic leaders will push both as an economic shot-in-the-arm and as an important adjunct to U.S. efforts to promote the security and prosperity of the free world. That's the program to reduce international trade barriers, a matter on which they'll see eye-to-eye with the President, although not with many Republicans and some Democrats in Congress.

Last year, a special commission headed by Inland Steel Company Chairman Clarence B. Randall was named by President Eisenhower to study and make recommendations on foreign economic policy. Early this year, the commission majority recommended steps in the direction of freer world trade. They included a three-year extension of the Reciprocal Trade Agreements program, a 15 per cent reduction in U.S. tariffs in three annual steps of 5 per cent, and other measures to promote imports, to induce other countries to lower restrictions on U. S. goods, and to provide them with the dollars they need to buy our goods.

Two protectionist-minded members of the commission—House Ways and Means Committee Chairman Reed, a New York Republican, and Representative Simpson of Pennsylvania, a top G.O.P. member of Mr. Reed's committee—filed a sharp dissent. Colorado's Republican Senator Millikin, chairman of the Senate Finance Committee and also a member of the commission, had many reservations on the majority's recommendations. To avoid what was bound to be a bitter fight, with the opposition led by members of his own party, the President this year simply asked Congress to extend the reciprocal trade program for a year, which it did. He let the rest of the Randall recommendations go over until 1955.

The President will undoubtedly bring forth the Randall program for action next year, and the outlook is for a much more favorable reception from the Democrats.

Representative Cooper of Tennessee, who'll start the ball rolling on the commission's recommendations as chairman of the House Ways and Means Committee, is a firm free trade man and was a member of the Randall commission majority. So was Senator Byrd, whose Finance Committee will handle the bill in the Senate. Representative Rayburn and Senator Johnson both predict all-out Democratic support for most of the commission recommendations. The venerable Senator George of Georgia, ranking Democratic member of the Finance Committee and also a member of the Randall commission majority, summed up the situation this way:

"I think the President will find that the Democrats will cooperate with him on this point far more readily than his Republican brethren."

Mr. Eisenhower will also find a good measure of Democratic cooperation on most other foreign and national security policies. For example, Democrats have been more inclined to vote funds for foreign aid programs. Although Senate Democrats declare they'll make the President close the Foreign Operations Administration on schedule June 30, they and their House colleagues probably will give the President most of what he asks to carry on foreign military and technical assistance programs through the Defense and State Departments.

The Democrats can be expected, of course, to criticize the way the Secretary of State carries out his job. In recent years, the Secretary of State has become an accepted political whipping boy. They may also attack

basic foreign policies from time to time. But by and large, when it comes to approving any specific pact or treaty, such as the West Germany rearmament pact, the Democrats can be expected to back up the President.

The new Congress will likely see a revival in some form of the Bricker amendment to limit the President's treaty-making power. But unless the Senator comes up with a version acceptable to the President he stands little chance of success. Senator Bricker might win in the Senate—a modified version almost passed the Senate this year—but he will face in the House the powerful opposition of the Speaker, Representative Rayburn, who is sure to let die in committee any proposal not acceptable to the chief executive.

In many other fields, the outlook is murky. For example, President Eisenhower last year submitted to Congress an extensive plan for revising the Taft-Hartley labor law. Senate Democrats killed it. Now the President talks about a more limited effort—possibly confined to just two or three relatively noncontroversial issues. House and Senate Democratic leaders also talk about trying to work out a bill that "both management and labor can accept."

The fact is, however, that any effort to revise Taft-Hartley, however limited, will run squarely into a familiar conflict—conservative Republicans and southern Democrats trying to toughen the law and union-conscious northerners trying to make it conform to organized labor's demands.

A pro-union bill would have rough sledding in the House Labor Committee, to be headed by Representative Barden, and a pro-business bill would almost certainly never clear the Senate Labor Committee, which will be led by Senator Hill of Alabama. The likely upshot: the usual charges and countercharges and grandiose proposals, with little actual legislating.

A similar fate may await another proposal talked about by the administration and northern Democrats. That's a plan to hike the present 75-cents-an-hour minimum wage, and bring under the minimum wage law millions of retail and farm workers not now cov-

A strong Democratic drive is likely to toughen some of the provisions of the Atomic Energy Act passed this year. Many Democrats attacked the law as "handing the atom over to private industry" after billions of taxpayers dollars were spent to develop it

ered, possibly at a lower scale of 60 or 65 cents an hour. Here again the southern Democratic-conservative Republican coalition would be the big obstacle.

In the field of social welfare, President Eisenhower has promised to resubmit in January a slightly modified version of the health reinsurance bill which House Democrats killed this year. They had charged it was so inadequate that passage would be a fraud on the public.

The Department of Health, Education and Welfare has been busily rewriting the bill to meet some of the objections to the earlier version, but the basic approach has been retained. This, in essence, is an attempt to encourage private insurance (Continued on page 93)



OFFICIAL TWIN to FBI Director is the role of Clyde A. Tolson,



shown with J. Edgar Hoover in pictures dating back to 1936.



Mr. Tolson resembles his boss in many ways, including appearance



UNITED PRESS PHOTOS

Meet the

By LOUIS CASSELS

EVERY busy executive finds himself wishing occasionally that he were two men. This deep-felt need for two heads and four hands often finds practical expression in a search for an office-hour alter ego—an assistant or deputy so attuned to the boss' ideas as to be almost an extension of his own personality.

Considering the nature of his responsibilities, it is gratifying that one of the few executives who has found such an official twin is J. Edgar Hoover, Director of the Federal Bureau of Investigation.

Mr. Hoover's "strong right arm," to use his own phrase, is Clyde A. Tolson, a shy, quick-witted and self-effacing lawyer who has spent nearly 27 of his 54 years in the FBI, and who for the past seven years has been its Associate Director.

A passion for anonymity is one of the classic attributes of the perfect assistant, and Mr. Tolson has few peers in this field. While Mr. Hoover has attained immense public stature, the No. 2 G-Man is virtually unknown outside his own organization. His name appears in the newspapers rarely, his picture still more rarely.

Nothing would please Mr. Tolson more than to remain in the obscurity he has so diligently cultivated but there is good reason for the American public to get better acquainted with him. For he may well be the answer to a question that troubles many thoughtful patriots: What will happen to the FBI when J. Edgar Hoover retires?

Mr. Hoover will be 60 on his next birthday, and he has headed the FBI for 31 years. The question of his retirement can no longer be regarded as academic, even though there is no indication it is imminent. Should the Attorney General who chooses his successor decide to promote a career FBI man—a course which prudence and public opinion probably will dictate—there seems little doubt Mr. Tolson will get the nod.

If and when he does move up to the top job, it can safely be predicted that nothing much will happen to the FBI. Mr. Tolson has had much to do with making the FBI the kind of organization it is, and his chief ambition is to maintain its present high level of morale, efficiency and prestige. Moreover, he so admires

Mr. Hoover, and is like him in so many respects, that it is almost impossible to conceive of his making any radical changes in the policies Mr. Hoover has laid down.

The resemblance between the two men begins with complete dedication to the FBI, but it does not stop there. It extends through their private lives and personalities, even to their physical appearance.

Both are stocky, square-jawed men of medium height, with the characteristic build of former athletes striving manfully to maintain their waistlines past middle age. Each has black hair with streaks of gray. Both are quick in their movements, light on their feet, precise in speech and manner. Their common passion for neatness is reflected both in their orderly desks and in their dress. In conversation, Mr. Tolson displays a pleasant half-smile that vaguely reminds you of someone else. The someone else, of course, is Mr. Hoover.

Neither has ever married. Each lives alone in Northwest Washington. The same FBI car picks them up each morning and, in good weather, lets them out downtown about 12 blocks from the Justice Department building. They walk the rest of the way for exercise.

After an 11 or 12 hour day at the Bureau, they meet again, nearly every night, for dinner at Harvey's Restaurant on Connecticut Avenue.

Occasionally, they attend a prize fight or a baseball game after dinner. One place Mr. Tolson will not accompany Mr. Hoover, except under duress, is to a party. When the director feels compelled to put in an appearance at a social function, Mr. Tolson usually goes home to watch television or read a western novel.

Both spend many of their evenings at home worrying about the FBI, and if an important case is pending they may confer by telephone once or twice during the night.

Although Mr. Tolson is Mr. Hoover's closest friend, and vice versa, there is a surprising lack of familiarity in their relationship. Mr. Tolson would never think of slapping Mr. Hoover on the back. Both in and out of the office, he addresses him respectfully as "Mr. Hoover," or in very informal moments as

FBI chief of staff

The man nobody knows, but he's next in line to J. Edgar Hoover

"Boss." In speaking to a third party, even to a fellow FBI executive, Mr. Tolson refers to "the director."

It might be easy to conclude from these facts that Mr. Tolson is a yes-man type whose principal function is to make sure that Mr. Hoover's every whim is translated into action. That would be a highly erroneous conclusion.

In point of fact, it is Mr. Tolson, rather than Mr. Hoover, who makes most of the day-to-day executive decisions that add up to running the FBI. While his decisions are always subject to review and reversal by the director, it is rare indeed that a problem is passed up to Mr. Hoover without a specific recommendation for its solution. Sometimes Mr. Hoover overrules these recommendations, but he never does so without giving Mr. Tolson a chance to argue his case. FBI officials who have heard these discussions agree that Mr. Tolson always presents his point of view with great vigor, and not infrequently succeeds in changing the boss' mind.

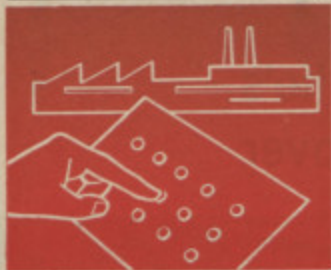
The recommendations which Mr. Tolson passes up to Mr. Hoover, or in his absence acts upon himself, are the product of an executive chain of command that is unique in the government. Both Mr. Hoover and Mr. Tolson are admirers of business methods and they have patterned the FBI's internal structure after that of a corporation.

The 338 Special Agents and 4,729 civilian clerks and technicians who work in the FBI's Washington headquarters are grouped in seven major divisions, each headed by an assistant director. The Investigative Division handles all criminal and civil investigations except those involving subversion and internal security; these are under the Domestic Intelligence Division. The Identification Division operates the FBI's vast fingerprint library, where 132,000,000 fingerprints of 70,000,000 individuals can be identified with uncanny speed and accuracy. The Laboratory Division offers every service of scientific criminology from handwriting analysis to determining the make, model and year of an automobile from a tiny speck of its paint. The Records and Communi-

(Continued on page 83)



EDWARD BURKS



AUTOMATION'S PUSHBUTTON TECHNIQUES SPREAD

AT Columbus, Ohio, 2,613 machines and tools combine with 27 miles of conveyers to turn out two Westinghouse refrigerators a minute.

In Louisville, Ky., a Remington Rand Univac is the first of the big computers to take up a purely commercial task. It processes the payroll for the 12,000 employees in General Electric's major appliance division there.

In Calvert City, Ky., a relatively few men produce rare chemicals at a plant in which the capital investment by General Aniline & Film Corp. amounts to several million dollars. At Newark, N. J., the Prudential Insurance Co. of America prepares to turn an International Business Machines electronic computer loose on the task of servicing 3,000,000 accounts receivable, only the first of its jobs.

Automation, in short, is popping its buttons. All through American industry, firms are trying or considering this idea of letting machines do more, thus relieving humans of wearisome and boring tasks.

In fact, John Diebold, a leading authority in the field, now questions whether the word says enough. Besides its application to large-scale manufacturing, where it means increasingly automatic production methods, automation is turning to office work and to smaller-scale manufacturing. Mr. Diebold points to "a tremendous surge of interest" recently in this second application.

In both manufacturing and the office, the result of automation is increased productivity and less drudgery for human workers. The trend is widely hailed as the "second industrial revolution," and a measure of its force is the fact that in each of the three months, July, August and September, a new trade magazine devoted to automation appeared.

As used in manufacturing, automation today means making a single machine fully automatic or hooking a group of machines together so they can make something with little or no further human participation. In the latter case, automation covers not only the machines but the methods used to convey work between them.

Westinghouse, describing the Columbus refrigerator plant, observes that the first step is to receive and check the sheet steel that will become the refrigerators.

"From here on," the company says, "machines do everything: stamp out 500 compressor motor laminations a minute; coat structural sheet with a drawing compound; shear sheets to size; draw, form, trim, and notch structural sheet into hundreds of small, intricate parts; blank sides, top and bottom of the door frame which are then joined together by welding; form the refrigerator door, then trim and pierce."

Then machines move the parts to the assembly line where other machines tip, turn and lift the growing refrigerator as it is assembled. The finished refrigerators are tested, crated and whisked away.

GE expects to put its Louisville computer gradually to work at a number of jobs that call for the handling of mass information—accounting, inventory control, billing. Eventually, the Univac will be the heart of a system that will assemble information about sales, production and costs. Other computer plans are similarly ambitious and complex.

Automation in another manufacturing process turns out engine blocks for the Ford Motor Co. in a Cleveland plant where the rough blocks enter a serpentine line, are trundled briskly through some 530 operations done by several machines, and emerge finished—untouched by human hands. In Arlington, Va., liquid ceramic is poured into a hopper at one end of a manufacturing process and finished parts for electronic devices come out the other. Oil refineries perform complicated operations with only a few workers watching dials. There are automated processes for producing chemicals, crankshafts and phonograph records, and for tanning leather. The list is long.

In the second area, office and small manufacturing, automation takes in such things as operating machine tools, performing actuarial work for Metropolitan Life Insurance Co., controlling inventory for stores and plants, and coordinating assembly lines. The automatic control machines range from the big "computers" (a word that only begins to describe what the machines can do) to much more modest devices such as those that use a punched paper tape to tell a tool how to make a particular part.

Automatic control is the central idea in automation. It is a concept which the experts express with the deceptively simple word "feedback." It means self-control. An ordinary toaster, supplied with a piece of bread and started, will operate for a predetermined length of time and then stop. The bread will be tan, brown or burned depending on how moist or cold it was when put into the toaster. But suppose the toaster could size up the condition of the bread at the beginning of the operation and perform accordingly, so that every piece of bread would come out with the precise degree of brownness the operator desired. That would be the result of feedback: a machine's ability to size up its work as it goes along and accommodate its performance to every situation.

The thermostat common in American homes is an example of feedback. When the temperature goes above a desired level, the supply of fuel to the furnace is

reduced, and when the temperature drops, the furnace gets more fuel.

In the past 20 years or so—because of hard thinking, the demands of war, and the improvement in electronics—feedback controls have grown in variety and complexity. They have gone to the laying of guns, the flying of airplanes and to a multiplicity of manufacturing and office operations.

Some fear that the second industrial revolution will result in mass unemployment. The short answer is that, however you reckon, many more people are working now than at the start of the first industrial revolution. The same will be true of the second, the experts say. Automation to them is just an expansion of the mechanization that has been familiar for years.

Automation is bound to reduce the need for unskilled and semi-skilled factory or office workers doing repetitious or boring jobs. Some of them will be absorbed in the increased maintenance force needed to keep automated operations going. Automation calls for management and design people to plan and coordinate an immensely more productive process. That will absorb some workers. In addition, American industry's fabulous capacity for turning to new products—television is an example—will help keep up the demand for workers. To fill these jobs, many workers will have to upgrade themselves with more training. The result will be that they will have jobs more fitting to human capacities than many of the simple, repetitive tasks they do now.

Then, too, the population is growing. But the number of people entering the work force will be slim in the next few years, reflecting the low birth rate of the 1930's. There have been estimates that, just to maintain our present standard of living, we will have to increase our output per worker 43 per cent by 1960, compared with only 21 per cent between 1940 and 1950.

Looking farther ahead, the people who have thought hard about the implications of automation agree that the development will require careful social handling. Before long, they are sure, it will result in a shorter work week in pleasanter jobs at higher pay.

Some of these people have questioned whether Americans will know what to do with this new leisure. The answer would seem to be that we have had no trouble using the extra day that has come to us from the abandonment of the six-day week. The booming recreation business will, as automation spreads, require even more workers—most of whom probably will come from the jobs that automation takes over. More than one expert has worked his way through this problem and emerged with the conviction that automation will take mankind into the golden age of prosperity, leisure and culture.

Two new developments have made automation the focus of brisk activity in our industries. One is the development of feedback devices. The other is the attention that management and science are paying to the need for constantly increasing productivity.

Perhaps nothing could better illustrate the thought that the second industrial revolution is just an expansion of the first than the fact that the first creditable example of automation was recorded in 1784. In that year a man named Oliver Evans built near Philadelphia a mill that required no human labor from the time the grain arrived until the flour was made. A similar operation offers an example of advanced automation today. At Corpus Christi, Tex., Corn Products Refining Co. operates a plant in which an array of tubes, ducts and humming motors watched by a few people turns some 20,000 bushels of grain every 24 hours into dextrose, starch, high protein stock feed, and edible oil.

The ideal of automation is a fully automatic factory, which after it was set up and started, would produce even if the only humans around were the ones who brought in the raw materials and took the finished products away. There is no such factory now, although oil refineries, chemical plants and electric generating stations aren't far from it.

Many types of manufacturing probably will never be done in fully automated factories, simply because it won't pay. Robert L. Henry, one of the guiding spirits of the ceramic project in Arlington, makes a point that is sometimes overlooked: "A human being is an awfully effective control device."

Although in most expert views the fully automatic factory is many years away, new devices and techniques are developed almost daily. Several companies are building automation teams. A corps of experts in the field is growing steadily and improving itself by more and more intercommunication in the form of publications and group meetings.

In theory, it is now possible to make any manufacturing process fully automatic. In many cases, such as the assembly of fine cars, that probably never will be done, although parts of such operations surely will be automated. The capital investment required for automation is high, and therefore automation lends itself best to the manufacture of products for which there is a large and constant demand, with few model changes. Thus, it is feasible to make engine blocks automatically, but not whole automobiles. The generation of electricity and the handling of liquids are processes where automation is especially valuable and has advanced far, largely because the products are fairly standardized and the demand is constant.

The automation area in which Mr. Diebold sees a "tremendous surge of interest" has been marked recently by the manufacture of numerous automatic control devices that permit more automation in smaller and more flexible manufacturing operations and do office work. These devices handle facts and information.

One problem in automation is keeping in view the forest instead of the trees. Mr. Henry points out the tendency to make an automatic machine do an operation the way a man does, and he observes that this is not necessarily the best way. Imagining an effort to design a machine that would wrap cigaret packages in cellophane automatically, he suggests that it might be far better to try something radical—like dipping the pack into a solution which would dry into cellophane—than begin with the cellophane and the pack and try to make a machine that will put them together. Mr. Henry and his colleagues in the ceramic project abandoned the conventional tube-like arrangement of electronic components in favor of stacking ceramic wafers to carry the necessary circuits—a process much more suited to a machine.

Mr. Diebold refers frequently to the need for rethinking the entire operation to which automatic control is to be applied. Often automation will be most fruitful after the process and perhaps the product have been redesigned, he says.

Mr. Henry sees automation in this perspective:

"There is a fear that technical people plan some mass envelopment of the population. That's inconceivable. There is a vast chasm between what can be done and what will be done in automation.

"The reason we have automation at all, or don't, is economic. Nobody is doing it for curiosity or patriotic reasons. Automation isn't an end in itself. It doesn't necessarily mean reduced cost or a better process. Generally the objective is to increase the productivity of human labor."—JAMES ROGERS

END



EDWARD BURKS

T. Coleman Andrews explains

THE NEW TAX LAW

In an exclusive interview the Commissioner of Internal Revenue tells you what to look for in new forms, instructions and regulations for next year

THE Internal Revenue Service must now enforce, interpret and expedite provisions of the new Internal Revenue Code of 1954. Hundreds of Revenue employees—division chiefs, accountants, tax attorneys, stenographers and Internal Revenue Commissioner T. Coleman Andrews himself—are wrestling with changes in forms, new instructions and new regulations analyzing specific revisions of the code. Some 60 income tax regulations are at present in draft stage and every effort is being made to publish as many as possible this month. They cover every revision of the new tax law, including depreciation, medical and child care deductions, foreign income, inventory evaluations and scores of others. The Commissioner's Advisory Committee of tax executives and tax practitioners—certified public accountants and lawyers—meets frequently

to thresh out answers to questions raised by the new law.

The American business community will not feel the full impact of the new law until next year. More than that, it is certain that the new Congress—and other Congresses after it—will consider additional proposals for still further revisions.

The tax forms and the instructions and regulations which accompany them—whether the 1040 or 1040A for individuals, the 1120 for business corporations, or returns for aliens or personal holding companies and the like—represent the most effective and direct link between the taxpayer and the government.

Because this line of communication is of such overriding importance, both to the taxpayer and to the government, the editors of NATION'S BUSINESS asked Commissioner Andrews to take them behind

the scenes at Internal Revenue for a look ahead at what the new forms, instructions and regulations will mean to the American businessman next year. His analysis, in a question and answer interview, follows:

Commissioner Andrews, is it true, as we have heard, that the drafting of regulations covering the new tax code is based upon a new philosophy of tax administration?

MR. ANDREWS: I wouldn't say our philosophy is new. But it's one that hasn't been followed consistently. To be specific, I came to the office of Commissioner with the complaint ringing in my ears that often in the past law had been written into the regulations that Congress hadn't passed.

I announced shortly after I took office that since regulations were supposed to be only administrative interpretations of what Congress intended, they should not go farther than that, and I promised—insofar as my authority permitted—I would see to it that there would be no more legislation by regulation.

I have tried to live up to this pledge by changing old regulations, rulings and decisions that seemed inconsistent with applicable provisions of the law. I have reminded all our people in the Internal Revenue Service to be on guard against adoption of language in any of the new regulations that could in the slightest degree be regarded as exceeding the bounds of interpretation and usurping the exclusive law-making prerogative of Congress.

Commissioner, what would you say are the most significant changes in the form of the corporate tax return resulting from the new tax code?

MR. ANDREWS: I suppose I'd better divide my answer into two parts—the first to straighten out a misconception of what may be expected; the second to talk about specific changes.

There has been a lot said about simplifying the income tax law and of simplifying these "complicated returns." The fact is that the determination of income is not a black and white proposition; it frequently resolves itself into a matter of judgment. This is particularly true of the determination of business income, and the more complicated and extensive the activities of a particular business the more difficult it is to determine the income of that business.

Moreover, the principal problem of the framers of income tax legislation is not achievement of simplicity but rather how to achieve equity by

(Continued on page 64)

GOING DOWN

Federal Taxes



GOING UP

State & Local Taxes

State and local collections are expected to go up about a third as much as federal collections are going down



By **KENNETH W. MEDLEY**

TAX COLLECTIONS next year will be lower. But you can't expect to reap the full benefits of this year's federal tax cuts which will be reflected in next year's government income.

The joker in the pack is the bill from state and local governments. These taxes are increasing.

State and local tax collections next year are expected to go up enough to absorb about a third of the decrease in federal tax revenue.

The figures look like this:

Federal income from taxes is likely to be down approximately \$5,000,000,000.

State and local tax income could be up approximately \$1,500,000,000.

That's how it looks at this time. Final collections, however, are influenced by a variety of factors which could change these estimates.

The continuing rise in state and

local tax collections is forced by the wrenching financial burden facing our states and municipalities. This burden exists now because years of depression and wartime materials shortages caused a tremendous backlog of needed public works to pile up on the doorsteps of states and cities.

In this staggering accumulation—estimated by some to represent a national public works deficit exceeding \$100,000,000,000—are the needs for modern schools, new highways, improved sewage systems, better street lighting, bridges, airport terminals.

As the states and cities move to reduce the backlog they collide head on with the question of how to pay the bill.

Figures on government finances for 1953 have just been compiled by the Bureau of the Census. They show that revenue from all sources for all units of government in 1953

totaled \$105,699,000,000. That's up about \$4,594,000,000 from the previous year.

But not all revenue is taxes. So let's look at the tax figures alone and see what's happening.

For 1953, total tax collections were \$83,704,000,000. The 1954 figure will go up to an estimated \$84,300,000,000.

Next year, however, the tax income for all governments is expected to go down to an estimated \$80,800,000,000. That will be the first dip since 1949, when total tax collections, which were \$51,134,000,000 in 1948, dropped to \$50,358,000,000.

State and local taxes have been rising steadily. In 1942, when federal tax income was \$12,270,000,000, state and local revenue was \$8,527,000,000. The state and local portion of the 1945 tax revenue came to \$9,193,000,000, and the following year it topped \$10,000,000,000.

Of the total amount collected last year, state and local units of government collected \$20,908,000,000. This year's state and local taxes probably will run about \$22,000,000,000, according to current estimates, and next year's will be \$23,500,000,000.

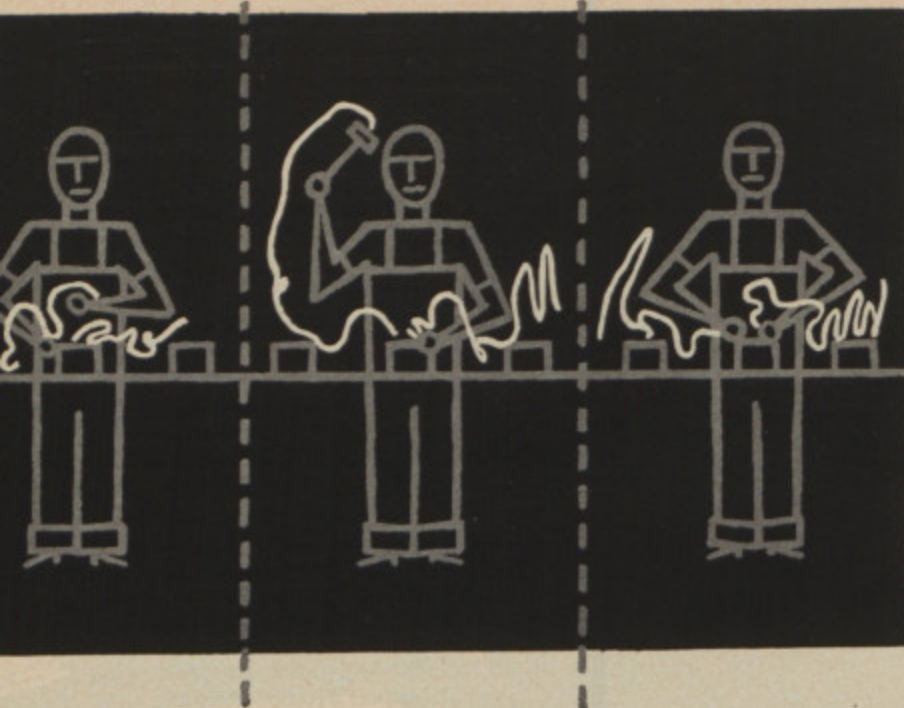
The prospect is for state and local taxes to continue upward. As state legislatures meet next year, the search for more revenue will be high on their list of important matters. Municipalities are also looking for new ways to increase revenue.

In 1932 state and local governments collected about 75 per cent of all tax dollars. Uncle Sam got 25 per cent. In 1952 the situation was reversed. State and local units of government took 24.4 per cent of the tax dollar and the federal government got 75.6 per cent.

Now the percentages are changing again. The new trend reflects the growing significance of state and local taxes. Last year, for example, state and local taxes accounted for 24.9 per cent of the total tax dollar. The figure rose to 25.9 per cent this year and it is expected to climb to 28.9 per cent next year, the highest percentage in many years. Uncle Sam would get 71.1 per cent of all tax dollars.

Like taxes, state and local expenditures continue to rise. Purchases of goods and services show the increasing costs. In late fall, state and local units of government were purchasing goods and services at an annual rate of \$27,200,000,000, the record high. The 1953 figure was \$24,400,000,000. Today's spending is more than \$7,000,000,000 higher than the total for 1950. It is more than \$17,000,000,000 higher than the 1946 figure.

(Continued on page 56)



*What's wrong
with
this picture?*



JOB ENLARGEMENT BOOSTS PRODUCTION

By JOHN KORD LAGEMANN

MANAGEMENT is turning into profit the growing evidence that highly engineered production techniques have some serious drawbacks.

They're learning also that it's misleading to base an approach to labor problems on the assumption that pay is the top thing in every worker's mind. Studies show that pay is down on the worker's list. Credit for work done frequently comes first. Companies have found they get better results and have happier workers when they restore to the job some of the basic human satisfactions that have been engineered out of it.

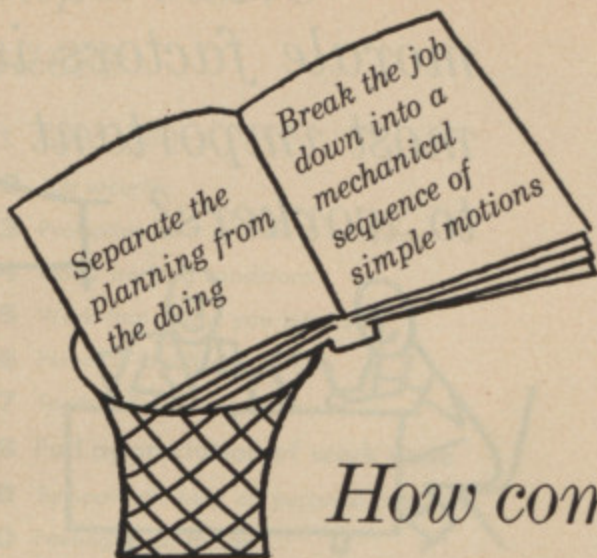
A number of large corporations have set out to do just this with a radically new management approach called job enlargement. All have reported startlingly good results. Employee morale and productivity have soared. Absenteeism, spoilage and accidents have diminished. Plant organization has been made less complicated, chains of command made shorter and more direct, and two-way communication improved between all levels.

Even more significant in the long run are the results in terms of management insight into the human meaning of work. Behind job enlargement is the discovery that work is not only an economic but a psychological necessity. Freud called it man's strongest tie to reality. It's our most effective way of relating ourselves to the world, finding out who we are and what we can do, of being somebody and meaning something to others and to ourselves.

Job enlargement as a specific program took shape one day in the course of the war when Chairman Thomas J. Watson, on a visit to International Business Machine's Endicott, N. Y., plant, noticed a woman drill press operator standing idly at her machine. She explained that she was waiting for the "set-up man" to adjust the drill for the next operation and an inspector to approve the adjustment. "I could do it myself," she added, "but it's against the rules."

Here was the job as it had been broken down: Lift an unfinished part and place it in the machine. Push lever forward to start machine. Push lever back to stop machine. Place finished part on conveyor belt. A set-up man prepared the unfinished part. An inspector checked the product.

Interviews with workers revealed that most wanted



How come?

Does a worker rate pay ahead of everything else? . . . What do supervisors believe workers value most highly? . . . What do the workers themselves rate first?

to make their own set-ups and to check the finished products. Mr. Watson got plant executives to give operators more scope. Soon they were reading blueprints, adjusting their machines, and inspecting the finished product with precision gauges. Instead of running one kind of machine day after day they broke the monotony and extended their skills by learning to run different kinds. A few set-up men and inspectors remained to help on more complicated assemblies. The rest were transferred to other jobs. The program promptly and sharply cut rejects, accidents and absences. Operators got a ten per cent pay boost for their increased responsibilities and production.

Meanwhile the foreman's job was enlarged to that of manager and he became responsible for all the operations in his section, including work planning and getting new designs into production, the hiring, assignment and training of men and the ironing out of grievances. Instead of depending on straw bosses, the manager has a "dispatcher" to do the inevitable paper work and job instructors from among the senior workers to train new men as well as perform their own jobs. This gives the manager, as team leader, more time to establish personal face-to-face relationships with his workers.

The underlying purpose of all these changes is to divide the factory into the fewest practicable divisions, departments, sections and subsections; and to eliminate middle management and simplify over-all organization to the three basic authority levels of executives, managers and workers.

Instead of stringing out employees in standard assembly lines where each has one simple, repetitive task and little contact with his fellows, IBM bunches workers together in single-purpose areas where they can work face to face as a team. At the Endicott plant, Assistant Manager Arthur Becker explains how this encourages a sense of ingenuity and versatility: "Many a man who was tucked away in a corner making one small part now knows the whole operation. Often the men don't know what job they'll tackle till they show up in the morning. They take pride in being able to put their hands to anything."

Decisions which a trusted worker can make on the job save management the complex organizational set-ups required to make these decisions for him. In

most departments at IBM, workers sharpen and maintain their own tools, keep their own inventory, and stock their own parts bins.

At the Detroit Edison Company, job enlargement in the billing department under J. Douglas Elliott has cut overtime in half and absenteeism 15 per cent. "A headache plus lack of interest equals an absence," says Mr. Elliott. "A headache plus an interest in the job equals attendance."

In a study of 122 other public utilities companies, Mr. Elliott found that billings per customer cost most in departments which specialized most, least in those which specialized least.

Billing machine operators at the Detroit company now check the printed bills themselves instead of letting separate checkers do it. Girls who formerly spent the whole day doing one monotonous job—operating a machine, checking results, typing form letters—now carry through a job that requires three or four operations.

"Until three years ago we took it for granted that high specialization and mechanization were advantageous," says Mr. Elliott. "We even considered installing a conveyor belt to carry records from employee to employee. Finally we discovered that we were actually increasing costs by creating needless or duplicate operations. Overspecialization narrows a worker's responsibilities and gives too many to boss or expert. Job enlargement gives workers more opportunity to think for themselves."

Job specialization—the highly simplified, repetitive job—got its start about 60 years ago when Frederick W. Taylor sold industrialists his theory of "scientific management" by teaching a foundry worker named Schmidt to shovel 47 tons of pig iron daily instead of his usual 12½ tons. Taylor accomplished this by breaking down the job into certain prescribed motions and getting Schmidt to follow them mechanically. "One of the first requirements for a man who is fit to handle pig iron as a regular occupation," said Mr. Taylor, "is that he shall be so stupid that he more nearly resembles an ox than any other type."

Other "efficiency experts" as they became known, refined and varied the Taylor system but the fundamentals remain the same to this day: Separate the

continued

planning from the doing, break the job down into a mechanical sequence of simple motions, each of which an employe could repeat over and over at a rate determined by the entire production machinery.

The essential flaw in all these efficiency methods, as management consultant Peter Drucker points out, was to put the worker to use as "a poorly designed, one-purpose machine tool. Repetition and uniformity are the two qualities in which human beings are weakest. In everything except ability to judge and coordinate, machines can perform better than men."

"Jobs have created themselves out of the demands of mechanics alone," the manufacturer Henry Dennison warned his fellow industrialists back in the '20's. "They have only accidentally become such that men or women, being what they are, can take any interest in them."

Many of the problems industry faces today center on the increasing size and complexity of manufacturing and the consequent difficulties of communication between labor and management. According to Charles W. Walker, Director of Research in Technology and Industrial Relations at Yale University's Institute of Human Relations: "Grievances which are easily ironed out and forgotten when shop relations are intimate, fester till they become human explosions. New types of friction arise over wage incentives, and over the elaborate machine of 'control' which large industry seems to demand. The trends toward mechanization and bigger industrial units seem to demand ever greater power and responsibility at the top, ever less power and less responsibility in the lower ranks."

This skimming off of responsibility from the employe is contrary to one of the bases of a capitalist democracy—a shared sense of responsibility by all the elements of the population. As Dr. Walker quotes the modern British philosopher Alexander Lindsay: "Industrialism has introduced a new division into society. It is the division between those who manage and take responsibility and those who are managed and have responsibility taken from them. This is a division more important than the division between rich and poor."

What happens in the mind of the worker who is stripped of responsibility and denied the satisfactions of creative work?

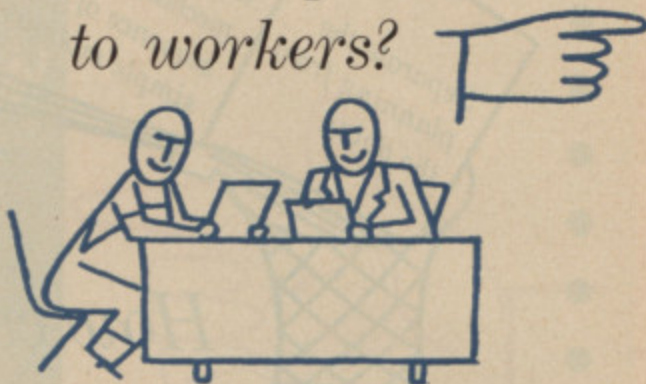
Daniel Bell, Columbia University sociologist, sums it up like this: "He becomes bored, absent-minded, accident prone and hostile, or he retreats from reality, engulfed in a myriad of obsessive reveries. His resentment is expressed in the slowdowns, the silent war against production standards and most spectacularly in the violent eruptions of wildcat strikes against speed-ups or changes in the timing of jobs." Many agree that the removal of work satisfactions constitutes one of the great explosive forces in the temper of American labor.

One of the most thorough-going studies of assembly-line and other repetitive work was made by Dr. Walker and Robert H. Guest, another Yale Institute member. Here are the characteristics of the assembly line work in an auto plant which a large majority of the workers interviewed said they found most frustrating:

Mechanical pacing: "The work isn't hard, it's the never ending pace. The guys yell hurrah whenever the line breaks down. You can hear it all over the plant."

Repetition and monotony: "It's pretty noisy but you get used to that. What I can't get used to is the monotony. It's not good for you to get so bored." "The job gets sickening, day in day out, plugging in ignition wires. I get through with one motor, turn around and there's another staring me in the face."

Which of these morale factors is most important to workers?



Too little demand for skill and judgment: "One of the main things wrong with this is that there is no figuring for yourself, no chance to use your brain. My job is engineered, and the jigs and fixtures are all set to specifications. You can't beat the machine."

Social isolation: "I've been here over a year and I hardly know the first names of the men in the section where I work."

It is hard for the person who has never worked in a factory to understand how adding a few more operations to a man's job can make him so much happier. Dr. Walker's study shows clearly why job enlargement increases production: The worker's interest in the job varied with the number of operations he performed. Only a third of employes who performed one-operation jobs expressed any interest in their work while two thirds of the workers who did five or more operations expressed interest.

"We were astonished," says Dr. Walker, "at the psychological importance the employe attached to even minute changes in his immediate work environment. Other things being equal, the difference between a satisfied and a dissatisfied worker may rest on whether he has a ten-operation or a five-operation job."

The old view was that men hate to work and do so only to avoid pain or achieve pleasure. Both pleasure and avoidance of pain were equated with money, and it was a rule of thumb that the more you paid a man the harder he would work. Then management discovered that once basic food and shelter needs were satisfied, wages were not often the real causes of labor dissatisfaction. More often, higher wage demands were symptoms of human rather than economic needs.

The event that brought this home to employers and gave birth to the new technique of human relations was the Harvard Business School's famous study of incentives at the Hawthorne, Ill., plant of the Western Electric Company. During the five-year study, researchers tried out all the known incentives—hours, rest pauses, wage rates, piecework, hot lunches, better lighting, heating, etc. Some of these increased production slightly and some did not. But productivity invariably shot up after interviews in which employes were encouraged to air freely their views and feelings about their work and life in general.

To double-check, researchers systematically took

Supervisors guess

- 1 Good wages
- 2 Job security
- 3 Promotion and growth in company
- 4 Good working conditions
- 5 Work that keeps you interested
- 6 Personal loyalty to workers
- 7 Tactful disciplining
- 8 Full appreciation of work done
- 9 Sympathetic help on personal problems
- 10 Feeling in on things

Employees say

- 1 Full appreciation of work done
- 2 Feeling in on things
- 3 Sympathetic help on personal problems
- 4 Job security
- 5 Good wages
- 6 Work that keeps you interested
- 7 Promotion and growth in company
- 8 Personal loyalty to workers
- 9 Good working conditions
- 10 Tactful disciplining

away all the other incentives, dimmed the lights or shone them in workers' eyes, made the work area too hot or too cold, increased noise to exasperating levels, and otherwise made working conditions hard. To everyone's astonishment productivity reached an all time high. The conclusion was inescapable. The test employees produced more because they felt they were being recognized and appreciated as individuals and that they were making an important contribution through their work.

The Hawthorne study set off many others which showed that strong motivation helped workers overcome fatigue, stimulated their inventiveness, lessened resistance to technical change, and generally increased the spirit of cooperation. Management didn't take long to realize here was a chance to increase productivity.

If wages alone didn't motivate the employee to produce more, what else did?

The findings of a study by Dr. Joseph Shister and Lloyd G. Reynolds of the Yale Labor and Management Center are typical. Of 450 manual workers in a New England city who had changed jobs during the previous 18 months, 18 per cent left for a "better" job. Only 24 per cent gave wages as a cause for quitting. Among the remaining 58 per cent, most common reasons for leaving were lack of interest in the job, unfair treatment, physical characteristics of the job, the degree of independence and control the job afforded.

A recent survey suggests that management still can't quite believe the workers' own evaluation of the factors which make them tick. In this spot check, employees and foremen in 24 industrial plants rated ten morale items in the order of importance as they saw it. Employees put first "Appreciation of work done." Supervisors put it eighth. Employees rated "Feeling in on things" in second place and "Good wages" in fifth. Supervisors put "Feeling in on things" in tenth place and "Good wages" at the head of the list.

Peter Drucker has reduced the main findings of 20 years' research to four basic prerequisites which read like a definition of job enlargement:

A worker must understand what he is doing and be interested.

He must understand what is going on around him.

He must feel that he is a real member of the working community.

He must get recognition, prestige, and a chance to participate in the government of this community.

Job enlargement recognizes that a worker always tries to find some intrinsic meaning in his work, no matter how menial it is. Industrial psychologist Henry Smith of Michigan State College gives the example of a ditch digger who was asked to dig a five foot hole in a vacant field. When he finished the boss told him to dig another hole and fill up the first. The man quit in disgust. But when the boss explained that the purpose of the hole was to search for a vital pipe line, the digger returned to the job with enthusiasm.

During the war, practically every plant making anything even remotely connected with the fighting was able to increase morale and productivity by explaining how the worker's job contributed to victory. The same kind of explanation helps peacetime production, too.

At Sears, Roebuck & Co., James C. Worthy says: "We have found that where jobs are broken down too finely, we are more likely to have both low output and low morale. Conversely, the most sustained efforts are exerted by those groups of employees who perform the more complete sets of tasks, and these likewise exhibit the highest levels of morale and esprit de corps."

The wastefulness of mechanical job breakdowns is illustrated by the example of hospitals which have been replacing assembly line nursing techniques with the recently developed "team method." Under the old "efficiency method" the nurse's job is broken down to standardized procedures—so many enemas, temperatures, injections, food trays, etc. The head nurse, in the role of boss, parcels them out and acts as the driving force to see that they get done. Under pressure of nursing shortages, many hospitals have adopted the new method in which a team of nurses plans and carries out the complete nursing care of a certain number of patients.

Under this system hospitals have found that the same number of nurses can give integrated care to two or three times more patients than under the so-called "efficiency" system.

"The old mass production methods in nursing are a waste of time, money, and lives," says Marion Alford, director of the Hospital Division of the National League for Nursing. "Individualized care is better for the patient and greatly re-

(Continued on page 79)

AFL-CIO MERGER

MAY MEAN... political powerhouse...

fewer jurisdictional headaches for businessmen...

intensified organizing activities aimed at white-collar workers, the South, textiles, chemicals

By JOE GAMBATESE

What would union merger mean to industry?

A merger of the American Federation of Labor and the Congress of Industrial Organizations should bring some measure of relief to industries now plagued with constant wrangling between AFL and CIO unions over the right to represent the employees. It should reduce the number of bargaining election drives in establishments already organized.

In many places union campaigns run almost continuously, interfering with worker productivity, subjecting the management to frequent and unjust criticism from unions competing with each other for worker favoritism, costing the management time and money, and usually stirring up outrageous union demands if not outright strikes.

The broadest effect of merger would be largely political. Some 15,000,000 organized employees could speak through one voice in lobbying on legislation, in trying to influence governmental policies and decisions, and in trying to get officials elected who will be partial to the new organization's objectives.

Politicians, government officials and even employers who may be inclined to play one labor group against another will have less opportunity for this. Union political influence should grow more potent and increase the need for more effective

business influence in political and government affairs.

Wouldn't the unions have greater economic power?

The combined organization naturally would give the unions more economic power. They will be better able to influence public opinion and economic decisions of government if the effectiveness of counterinfluences from business, educational and other groups, including employees, is not improved to the same degree.

There will be more cooperation and economic assistance between the individual unions in reaching their objectives.

However, being federations of autonomous unions, AFL and CIO are largely service organizations. They do not bargain with employers. Bargaining for higher wages and other benefits, as well as calling and ending strikes, will still be done by the individual unions.

Is merger really near?

There's a strong chance that it is. AFL President George Meany sees no reason why merger shouldn't be achieved by the end of 1955. He points out that, while it does not pay to be overly optimistic in such matters, both sides have agreed to make a sincere effort to work out an acceptable plan for a merger within the coming year.

CIO President Walter P. Reuther

says leaders of both labor federations want to expedite this merger as soon as possible.

However, at least twice in the past—in 1937 and in 1950—the split in the organized labor movement failed to heal despite apparent agreement reached between the AFL and CIO negotiating committees.

Why is there optimism this time?

Never before have the two organizations gone so far toward merger in an atmosphere so conducive to settlement of the 19-year feud. To illustrate:

What you might call a nonaggression pact—the AFL-CIO No-Raiding Agreement—already has been in effect for six months.

Settlement of jurisdictional conflicts between AFL and CIO unions representing employees in the same industry—a major obstacle in previous merger discussions—is this time being put aside until after merger becomes an actuality. It has been agreed that the integrity of all AFL and CIO unions will be preserved in creating a single trade union center in America.

The CIO and, more recently, the AFL have put into operation their own individual plans for settling jurisdictional disputes. This is particularly significant within the AFL because, during the three years 1951-53, AFL unions engaged in many more disputes with other AFL



Merger interest perked up after George Meany (left) and Walter Reuther became heads of AFL and CIO

unions than they did with their CIO rivals.

New personalities dedicated to AFL-CIO merger now head these organizations. Those most closely identified with the break in 1935, and with the repeated but so far futile efforts to end it, are out of the picture now. William Green, AFL president for 28 years, and Philip Murray, CIO head for 12 years, are gone. John L. Lewis, who led the break and whose United Mine Workers provided money and men as well as leadership to get the CIO off to its whirlwind start, today sits on the sidelines, heckling the merger conferees. Other controversial old-timers like Big Bill Hutcherson of the carpenters and Dan Tobin of the teamsters have also faded from the scene, thus further reducing chances of old feuds being revived to torpedo merger attempts.

And, finally, the once "conservative" AFL and the once "radical" CIO have drawn closer together politically and philosophically. One can hardly tell them apart today.

How have AFL and CIO drawn closer together?

Both now maintain aggressive political organizations which, for the most part, support the same candidates, and sometimes work jointly.

AFL and CIO representatives have cooperated closely as govern-

(Continued on page 68)

HERE'S HOW MERGED AFL-CIO MIGHT LOOK

Name: American Federation of Labor.

President: George Meany at \$35,000 (present salary) or more.

Secretary-Treasurer: William F. Schnitzler at \$33,000 (presently) or more.

Political Director: Walter P. Reuther (also president of the United Auto Workers at \$18,000).

Membership: 15,000,000.

Affiliated Unions: 134.

Local Unions: 50,000.

Local Councils: More than 800 (merger of AFL's 829 and CIO's 240).

Paid Organizing Staff: About 500 (now 250 in CIO, 150 in AFL).

Tax From Affiliates: Five cents a month per member (now ten cents in CIO, four cents in AFL).

Liquid Assets: \$3,500,000, not counting scores of millions held by affiliates like AFL teamsters (\$34,000,000), CIO auto workers (\$20,000,000), and CIO steel workers (\$17,000,000).

Annual Receipts: About \$12,000,000 from per capita taxes, fees, rents, income from investments and other sources. (This does not include income of affiliated unions.)

Headquarters: New \$3,500,000 office building under construction one block from White House and leading hotels.

Other Property: Modern \$500,000 building owned by CIO (a half block from White House) and 40-year-old building (closer to Capitol) that AFL now occupies.



H. ARMSTRONG ROBERTS

HOW'S

AN AUTHORITATIVE REPORT BY THE STAFF OF THE CHAMBER OF COMMERCE OF THE UNITED STATES

AGRICULTURE

Agriculture can expect neither boom nor bust in 1955, according to top economists and commodity specialists at the 32nd Annual Agricultural Outlook Conference held in Washington recently.

Department of Agriculture specialists say prices of farm products are expected to average about the same as current levels. Total farm production is likely to be slightly less. If operating costs drop a little (as they have during the past two years) the outlook experts predict the net farm income in 1955 will approach that of 1954.

Production of livestock and livestock products as a whole will be at least as large as this year. Acreage limitations are likely to reduce the 1955 production of wheat and cotton. Prices will reflect the moderately reduced support levels as well as the continued large supplies. Corn prices should go slightly higher.

CONSTRUCTION

The Clay Advisory Committee on the National Highway Program will have recommendations on President Eisenhower's highway plan ready for him before Congress opens.

This plan to build an adequate highway system for the United States proposes expenditures of \$5,000,000,000 annually for ten

years in addition to our present capital outlay.

How to raise the \$50,000,000,000 has provoked wide discussion. The American Municipal Association says the federal government should concentrate on improving the strategic defense highway system and should assume 60 per cent of the cost of the expanded program.

The Association proposes that states raise the necessary funds by using the Michigan 25-year revenue bond plan. Cities and counties would agree jointly to pledge state-collected highway revenue to retire highway improvement bonds. Federally guaranteed annual appropriations by Congress would pay the federal share of bond payments.

CREDIT & FINANCE

Administration efforts to stay within the statutory debt limit are taking some strange but effective directions.

The recent Commodity Credit Corporation offering to commercial banks of shares in a \$1,150,000,000 pool of price support loans is a case in point. The banks oversubscribed the offering by almost four times. Participating banks got certificates of interest in the entire pool. These certificates carry 1% per cent interest and mature Aug. 1, 1955.

The pool represents most existing price-propped loans on farm prod-

ucts financed by the C.C.C. Refinancing is being done to postpone outlay of federal funds.

This is among the first moves of a series designed to help the Treasury stay within the legal debt limit. Already there are suggestions for a new "RFC" type agency for financing the President's \$50,000,000,000 highway program.

DISTRIBUTION

Distribution now employs over 16,000,000 people—more than any other segment of the American economy. But only a small percentage of distribution employees are unionized.

This means that wholesalers, retailers, and service businessmen are prime targets for increased unionizing.

The possible CIO-AFL merger would bring consolidated union-building efforts to many of the 2,900,000 relatively small retail, wholesale and service firms. Distribution will be increasingly vulnerable in certain areas of employee relations unless alert distributive businessmen unify and work for:

Proper minimum-wage exemptions for distribution,

Legislative amendments plugging secondary-boycott holes in the Taft-Hartley Act,

Definite limits for the NLRB—permitting the states to act with assurance and effectiveness in their own spheres,

Adequate federal and state laws regulating employee welfare funds.

FOREIGN TRADE

Representatives of 34 nations, contracting parties to the General Agreement on Tariffs and Trade (GATT), now are meeting in Switzerland on major problems including admission of Japan.

Relative stability in postwar tariff policies has been due largely to GATT. In spite of the escapes and exceptions in the agreement, GATT still is a forum for airing trade policy disputes, and a pretty strict commitment to maintain tariff levels on an even keel.

The contracting parties also are wrestling with regular trade policy

BUSINESS? a look ahead

squabbles, the extension of provisions binding present tariff rates beyond next July, and possible changes to strengthen the agreement, now that balance-of-payment restrictions are less necessary.

Some countries want GATT to take up intergovernmental commodity agreements presently outside its scope. The United States delegation is trying to build a stronger GATT and one that would be acceptable to Congress.

GOVERNMENT SPENDING

A preliminary blueprint for new economies in federal spending will become available late this month when the Hoover Commission issues its first report—due to be submitted to Congress by December 31.

Commission task forces have been urged to expedite their reports. Some task forces are finished with their jobs; others are in the home stretch. It is expected that enough material will be available in the group reports to enable the Commission to make public some of its findings and indicate what others may be.

Most of the task forces are expected to finish up in January. However, those dealing with intelligence activities and overseas economic operations were organized last fall, and their reports may take longer to complete. But the December report will give economy advocates an idea of what to expect from the Commission as further reports become available.

LABOR RELATIONS

A great many labor legislation proposals will be presented to the new Congress but only a handful will get committee consideration.

President Eisenhower has said that two Taft-Hartley issues will get Administration backing: one limiting the right of employers to replace economic strikers, and another requiring from employers the noncommunist affidavits which have been required from labor officials desirous of using the facilities of the National Labor Relations Board.

The stand-off between pro- and anti-Taft-Hartley forces will prob-

ably continue into the next Congress, and the President's premonition that very little will get through may turn out to be well founded.

Regulation of union welfare funds may get some committee attention, depending largely upon the Democratic leadership. Another outside possibility is legislation to raise the minimum wage and to extend coverage of the minimum wage law to new groups of workers.

NATURAL RESOURCES

The clashing interests of consuming areas and producers over natural gas prices may result in legislation by the Eighty-fourth Congress designed to reverse the Supreme Court decision in the Phillips Petroleum Company case.

The Supreme Court decision upheld the fight by Wisconsin and several midwestern cities to require the Federal Power Commission, against its wishes, to regulate rates of natural gas sold by independent producers to pipeline companies that are transporting gas in interstate commerce.

Producers fear that FPC regulated rates will be too low to enable development of reserves to meet demand.

FPC, in its previous regulation of integrated companies which produce natural gas and transport it in interstate commerce, has tended to base rates on original purchase price of gas reserves instead of prevailing market price.

Consuming areas eager for cheap natural gas may, in fighting for FPC regulation, wind up with less gas at higher prices. Because there will be no incentive to develop new reserves, oil companies which must produce gas along with crude oil will try to find markets within the producing state.

TAXATION

The November elections have changed tax legislative prospects for the coming session of Congress.

Prior to the election it was almost certain the President would renew his recommendations for revision of the sections dealing with income

from foreign sources, capital gains and losses, the excise tax structure, and depletion for the oil and mining industries. New recommendations were expected to deal with the estate and gift taxes, cooperatives and other tax-exempt organizations and retirement plans for the self-employed.

Even if these proposals are made it is extremely doubtful the incoming Ways and Means Committee will be much interested in such changes in the tax laws.

In any case the committee and Congress must consider the corporate income tax rate and those excises scheduled for reduction on April 1, and the taxation of life insurance companies which are presently taxed under a formula that will expire with taxable years beginning in 1954.

Further needed revision of the Internal Revenue Code is unlikely at the coming session.

TRANSPORTATION

December 15 has been proclaimed by President Eisenhower as S-D Day, Safe Driving Day. It will be a nationwide try never attempted before to keep death from riding the highways and by-ways for just one day.

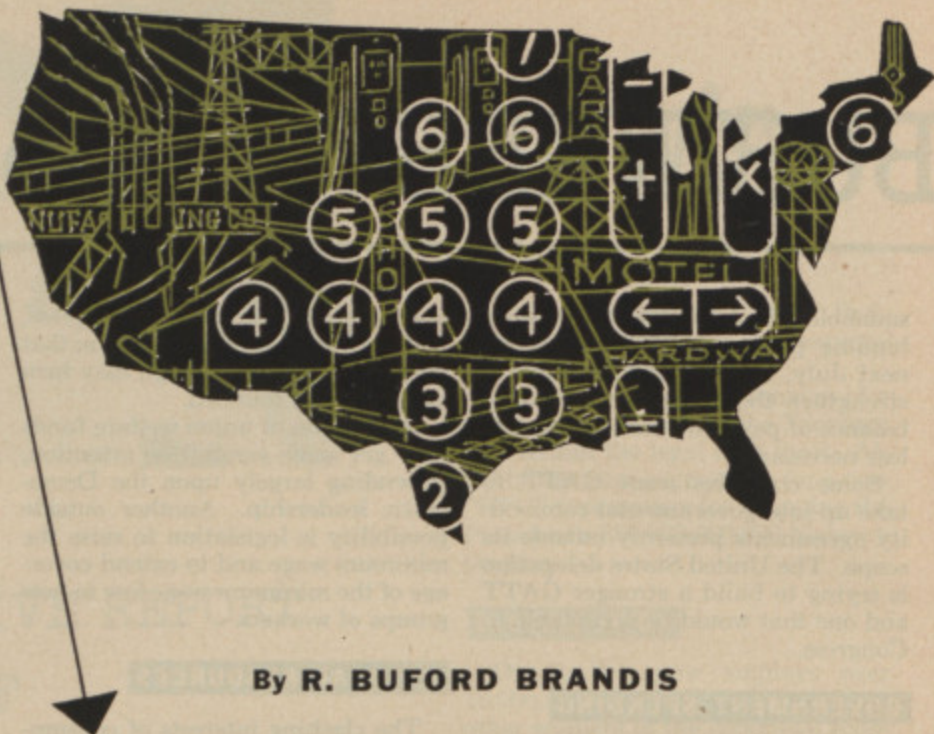
The test confronting every community will be to remain free of traffic accidents for the 24-hour period.

The American public has good reason to watch this experiment with interest.

Besides the 38,300 traffic deaths last year, intercity for hire trucks and bus companies operating about 600,000 vehicles reported 1,685 traffic deaths, 19,388 nonfatal injuries, and \$34,700,000 worth of property damage.

The President's Action Committee for Traffic Safety is spearheading S-D Day with the cooperation of governors and specially appointed state and local S-D Day Directors. Besides focusing attention on the country's appalling traffic accident situation, December 15 will prove just how far motorists and pedestrians can go in eliminating accidents through their own actions.

BUSINESS CENSUS WILL HELP YOU PLAN



By R. BUFORD BRANDIS

EARLY next year the United States Census Bureau will mail questionnaires to 2,000,000 business firms. Using this information plus other data from existing government records, the census experts will prepare new summaries of industry and trade.

The economic censuses are the greatest single source of business planning facts. The American economy is growing so fast that earlier census figures are out of date; hence, the development of new facts is of great importance to businessmen.

Three separate censuses will be taken in 1955: the Census of Manufactures, the Census of Mineral Industries, and the Census of Business (which covers wholesale, retail and service trades).

The Census of Manufactures is the only over-all measure of the industrial development of the United States. In addition, geographic breakdowns by states and counties are provided as well as primary information on thousands of individual commodities.

Inquiries by the Census Bureau on products and materials will vary by kind of industry. To that end more than 200 different report forms, each tailored to fit a specified industry or several closely related industries, have been prepared.

Individual factory reports to the Census Bureau are, of course, strictly confidential, but the 450 industry summaries of these individual reports will throw much light on employment, payrolls, hours of work, materials cost, value of products, and available power equipment. The

new Census of Manufactures, in addition, will for the first time collect comprehensive information on industrial water consumption. In recent years the rapid expansion of chemical and other processing industries has made the availability of industrial water one of the key factors in determining location of



plants. The new census data on water consumption in industry will be of tremendous importance to industrial development groups, to corporation officials charged with the selection of new plant locations, and to government officials working to forestall future water shortages.

The Census of Mineral Industries will provide information on the industrial and geographical structure

of the mining industry, and comprehensive facts on the value of the various products, the cost of developing and operating mineral properties, and detailed information on labor and capital requirements.

The Census of Business will provide number of employees, payrolls, sales and other data about wholesalers, retail stores, dry cleaners, laundries, and other service establishments, theaters, hotels, tourist courts and other general business categories.

The Census of Manufactures was first taken in 1810, just 20 years after the government census operation got underway with the first population count in 1790. The first Census of Mineral Industries was in 1840. The census of wholesale, retail and service trades was begun in the 1920's, largely on the suggestion of the Chamber of Commerce of the United States, which had a major role in this first census. The first official Census of Business covered the year 1930.

The detailed information on American industrial activity provided by the Census of Manufactures was indispensable in mobilization planning of World War II. Data from the 1947 Census of Manufactures was of extreme importance in the Korean mobilization. Because our manufacturing economy is so diverse and so dynamic, this up-dating of the Census of Manufactures is needed as a stockpiling of facts for possible mobilization needs. The Mineral and Business Censuses also are useful in mobilization planning. The new census will be of particu-

BUILDER-DEALERS WANTED!

*We Are Ready to Franchise an Additional 200 Dealers to Serve a
\$20 Billion Market in Which Our Share Has Tripled in Four Years*

NATIONAL HOMES CORPORATION, the largest producer of prefabricated houses in the world, and its dealers will build an estimated 2.16% of all the new, single-family, non-farm dwellings constructed in the United States in 1954. They will account for over 40% of all new prefabricated houses. Gross sales for the present calendar year will reach an estimated \$52,000,000.

At our plants in Lafayette, Indiana, and near Elmira, New York, we are now manufacturing houses at the rate of 120 per day. All these houses are sold before they are manufactured. During 1955 we foresee total production—and sales—of 30,000 houses, ranging in price from \$6,000 to \$40,000. For the next calendar year we estimate a sales volume of \$78,000,000.

To do this job, we have the ablest designers and architects in the country. We have developed manufacturing techniques that insure not only lowest prices but significantly better quality than can be achieved by the old, conventional methods of building. We have perfected a delivery system so organized that a house leaves one of our plants every 12 minutes on one of our 240 trailer trucks. We have 551 dealers in 40 states and the District of Columbia.

Our lowest priced house can be comfortably financed by anyone with \$350 in cash and a budget of \$45 a month for housing. Owners who have resold have found a considerable appreciation in value, and financing for new purchasers has been readily available.

In 1947 a wholly owned subsidiary, National Homes Acceptance Corporation was established. Although we prefer to see local banks provide the mortgage money, the Acceptance Corporation today can take every proper mortgage that comes to it from National Homes dealers, and as of June 30, 1954, was servicing over \$130 million in mortgages. All these mortgages are insured by the Federal Housing Administration or the Veterans' Administration, and they are being taken by many of the largest insurance companies and savings banks in the country.

The Homes We Manufacture

The National Homes Corporation designs and produces prefabricated houses in a variety of models and price ranges. We make it a point to supply houses that fit into the framework of the Federal Housing Act and that can be bought for the minimum amount of required cash and monthly payments. We also have a

custom-line that has had wide appeal—houses of sophisticated, modern styling designed for modern living. The quality of all National's houses is the same—prices vary due to differences in styles and sizes.

Our houses are complete homes. We provide plumbing fixtures, lines and water heaters, a furnace with flue, connections and thermostatic control, all wiring and lighting fixtures. Interior and exterior walls are finished in smart, imaginative treatments.

At present we have 31 floor plans of from five to nine rooms, each with many exterior design variations.

When a National Homes house is delivered to a site with a ready foundation, it can be put up in a single day. It can be completely prepared for occupancy by the dealer using local labor in three or four weeks, or less, if necessary.

The materials and construction of our houses have been tested by leading research organizations in the country including the U. S. Forest Products Laboratory and Purdue University's School of Civil Engineering; and have been approved by the Building Officials Conference of America, the Pacific Coast Building Officials Conference and the Southern Building Code Congress. Modern factory manufacturing methods, because of the high quality and precision demanded by the very nature of this process, are an important assurance of the quality of the product. Inspection procedures at the factory are rigid. Our research and development department searches constantly for better materials and techniques.

The Key Part Played by the Dealer

A National Homes dealer must be an able businessman with a high standing in his community. He must be capable of running a substantial enterprise, involving both the economic and social life of his town.

We need businessmen who can see the challenge of this market. Building experience is helpful, but it is not absolutely necessary. We have some excellent dealers who were automobile distributors, for example.

We have dealers whose annual incomes before taxes run as high as \$600,000. Any successful dealer should make at least \$50,000 before taxes.

A dealer must be able to bring no less than \$25,000 of his own capital into the operation. A large percentage of homes today are built on large tracts—not on individual, isolated lots. The home building of the future will be a big business based on the wise development of whole communities. Property must be located, acquired, zoned and developed. The dealer must understand all the problems which arise from operations of this kind and size.

We would like to stress the importance of vision. The building industry in this country—which is the country's largest industry—has never been substantially modernized. Prefabricated mass-production—using parts instead of pieces—has long been recognized as the answer. America has used this answer in every other field—for the production of automobiles, refrigerators, electrical equipment, etc. National Homes is a long way ahead of competition in bringing it to housing on a mass basis.

It must be recognized that dealers today are the spearhead of a housing revolution. They can have all the financial advantages of a pioneer position in the industry, but they must also provide the abilities which are required in a pioneering period.

We are working today at our factories on 24-hour schedules. With our expanded facilities we can produce and sell more houses than our present dealers can erect. We see no insurmountable problems. What FORTUNE calls "the insatiable market for houses" has been barely dented by conventional building. People all over the United States are hungry for sound, quality houses at prices that they can afford to pay. Housing today is a \$20 billion market, larger than the giant automobile market.

We have described the challenge here because we want to attract outstanding people, and we don't want to miss anyone through failure on our part to describe the opportunity in sufficient detail.

All communications should be addressed to Sumner J. Robinson, Vice President for Sales, National Homes Corporation, Lafayette, Indiana. All correspondence and inquiries will be treated in proper confidence.

JAMES R. PRICE, *President*
NATIONAL HOMES CORPORATION

NATIONAL HOMES CORPORATION

LAFAYETTE, INDIANA • HORSEHEADS, NEW YORK

ONE OUT OF EVERY 48 HOMES BEING BUILT IN AMERICA TODAY IS A NATIONAL

lar use in identifying growing industrial and consumer markets for many products. For instance, census data make possible the measurement of market potentials by geographic area, by different business products and by number, size and type of prospective buyers. Census data enable distributors to analyze sales by counties to determine where additional sales effort may profitably be expended. Our economy is turning out new products so rapidly that the problem of selecting the most profitable channel of distribution for these new items is one that concerns business management constantly.

One of the most common uses businessmen make of census data is in laying out their sales territories and making up their sales quotas. In addition to the basic sales planning jobs of dividing sales territories and setting sales quotas within those territories, wide use is made of census information in identifying changing distribution trends.

For example, the changing importance of various types of retail outlets can be readily determined by comparing succeeding censuses of business which reflect shifts in sales volume and number of outlets of various types.

One special virtue of census data is its availability for small geographic units. This makes possible an analysis of business conditions

income also are usually compiled on a sample basis. Utilizing the statistical techniques of sampling brings the job of compiling monthly or quarterly business information within reasonable cost bounds. But the sampling techniques can be applied most efficiently only if the selection of the sample can be checked against total census figures at regular intervals.

For intelligent planning businessmen must have such measures of rates of change and of developing trends in their own areas and industries. Facts available nowhere else but from such censuses have many hundreds of different uses. Recently, a study was made of the relationship between automobile parking conditions in the central business districts of large cities, and retail store decentralization that has occurred within and on the outskirts of these cities.

The study was concerned specifically with Detroit, Mich. Census statistics were used to determine the number of retail establishments and their sales volume in the downtown section of Detroit, in the balance of the city, and in suburban communities in the metropolitan area.

It turned out that the essential problem was obtaining data for the downtown section. This was overcome by requesting the Bureau of the Census to prepare special tabulations for three downtown census tracts of Detroit. The study covered 1939 and 1948, and the Census was able to furnish data for retail sales and the number of establishments for these two years by ten major kind-of-business classifications. Published statistics were available for the city as a whole and for the suburban communities of at least 2,500 population. Thus it was possible to obtain some measure of the geographic shifts in retailing within and near Detroit between the years 1939 and 1948.

Census information is of the utmost importance to businessmen in locating new stores, banks, warehouses, and factories. Not long after the close of World War II, for example, a banker in South Dakota who owned two small banks wanted to open a third. Deciding on the general area in which he wished to start this bank, he then had an analysis made of specific business information about the counties and towns in this general area. Based on population data from the 1950 population census and general business data from the 1948 business census plus other material, the town for the new bank was selected. The proof of the pudding is in the eating and the new bank has been quite successful. One

paint manufacturer uses the Census of Business to set his salesmen's quotas. This manufacturer bases sales quotas for each salesman on the relative importance of their sales territories as indicated by sales of paint, hardware, and lumber dealers.

Because the information available from the Censuses of Industry and Trade is so detailed, it can be particularly useful to smaller businesses. A veteran of World War II started a plumbing and heating contracting business upon his discharge from the army. For the first year or two the business did quite well, but then his profits began to shrink although volume continued to expand. His banker went over his operating records with him and helped him compare his own operating averages with the average experience for plumbing and heating contractors in the state. The Business Census provided this latter information. The comparison quickly brought to life the developing weak spots in the veteran's business and he was able to block enough of the holes to regain profitable levels.

The Censuses of Manufactures, Minerals, and Business will be conducted by mail and hence their accuracy and usefulness will be to a large extent dependent upon the care and promptness with which businessmen fill in the questionnaires and return them to the Census Bureau. Census of Manufactures report forms will reach 275,000 manufacturing establishments. Census of Mineral Industries questionnaires will go to 35,000 mines, quarries, and oil and gas wells; Census of Business forms to 2,000,000 or so establishments.

Out of the hundreds of questions on business operations in 1954 which might be asked, the Census Bureau has carefully over a period of many months selected a minimum number of questions designed to reveal the most important information. In this process of selecting the most useful questions about our economy the Census Bureau has sought the advice of the Chamber of Commerce of the United States and other business groups.

There are roughly a million business firms of particular types which will not be covered by the Census of Manufactures, the Census of Mineral Industries, or the Census of Business. The basic groups not covered are building and road construction, transportation, communication, and other public utilities; finance, insurance, and real estate; radio broadcasting and television, legal services, medical and other health services, educational services,



within a given city, county, or state and, by comparison, the discovery of trends as between areas.

Beyond such direct use, the new census figures will make possible rechecking and up-dating of the sampling basis for many weekly, monthly, quarterly and annual statistical series. National retail sales figures are derived from a sample of about 25,000 firms and current indexes on production, sales, inventory, consumption and prices and

museums, art galleries, botanical and zoological gardens, and such nonprofit organizations as business and trade associations, professional membership organizations, labor unions, civic and fraternal associations, political organizations, religious and charitable organizations.

Businessmen will, in addition, have much planning information available from the 1954 Census of Agriculture which will be issued early in 1955.

It will provide, for the first time in five years, up-to-date information regarding farms, farm resources, livestock, farm land and farm prod-



ucts for every county in the United States. Farmers buy each year more than \$20,000,000,000 worth of goods and services. Manufacturers, wholesalers and retail dealers selling to farmers rely on the Census of Agriculture in planning their manufacturing and marketing programs for rural areas.

A few years ago the Bureau of the Census sponsored the development of an electronic high-speed computer—UNIVAC—and the first installation is now in operation at the Bureau's offices in Suitland, Md. The National Bureau of Standards has designed and the Census Bureau has under contract for early delivery a high-speed printer activated by the magnetic tape product in the UNIVAC machine. This device will transcribe from 300 to 600 lines per minute at normal running speed, and is capable of a much higher rate of operation for brief periods.

With the use of modern equipment such as this, tabulation of the new censuses will be done faster and at less cost.

END

Completely new...

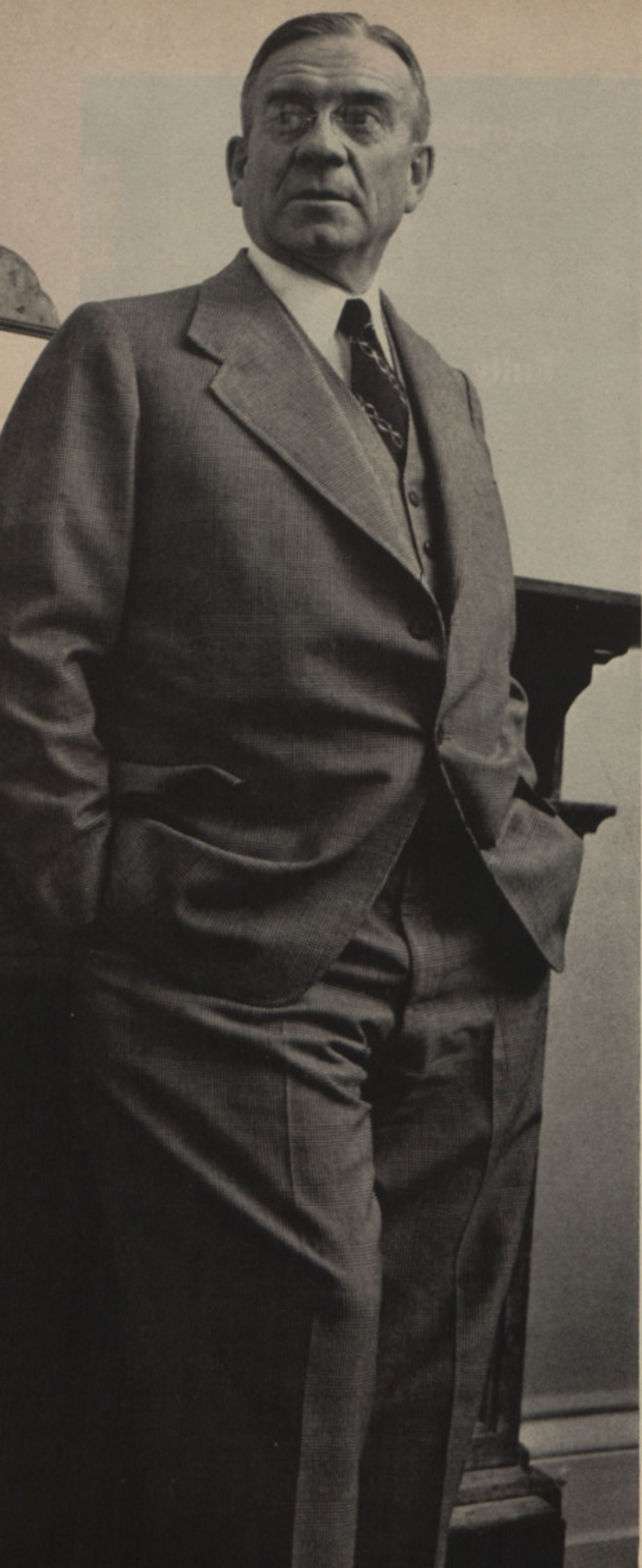
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NEW TRADE POLICY WOULD EXPAND OUR MARKETS

Continued U. S. prosperity and world peace depend upon revised foreign trade policy, warns the Chairman of the Board of the Inland Steel Co. and special consultant to President Eisenhower. Here is his evaluation of U. S. policy condensed from his new book, "A Foreign Economic Policy for the United States."

By CLARENCE B. RANDALL

Condensed from "A Foreign Economic Policy for the United States," by Clarence B. Randall. Copyright 1954 by The University of Chicago Press, 5750 Ellis Ave., Chicago 37, Ill. \$1.95.

IT IS CLEAR that the economy of the free world is out of joint. Wise men know that something must be done about it, but not all reasonable men agree as to the remedy, and men who are neither wise nor reasonable do not care.

It is for these reasons that President Eisenhower has undertaken a reappraisal of the foreign economic policy of our country.

To achieve a sound policy, however, requires first a basic philosophy that finds continuous expression in the laws passed by Congress and in the actions of the executive branch of our government.

No such consistency of philosophy has prevailed in recent years. Policy has been formed piecemeal. The whole cobweb of our history has tangled our path. An action taken long ago in terms of immediate expediency has barred progress now. An action taken by one agency of our government has been directly

opposed by that taken in another agency.

Sound policy is never created by such a mosaic of improvisation. We need to know why we do what we do, and to see our compass guiding always clearly toward our goal.

That goal is a nation that is secure, and a nation with a steadily rising standard of living.

How then shall it be achieved in this strangely distorted world?

Fundamentally by reliance on the principles that have made us what we are today: the maximum possible reliance upon private initiative, vigorous competition, and the free market.

Believing that these American concepts and practices are better for the world than those that are presently being employed, what should we do about it?

I cannot believe that it is right for the United States to use compulsion of any kind in order to bring another nation to our way of thinking on any subject.

We must not do it with guns; we must not do it with dollars.

In my view we must exercise patience and restraint, even when time is short and the risks great. We believe fervently in our way of life, as is right, and we hope we may establish it elsewhere, but we must do it by persuasion only, by letting its effectiveness and the blessings that it brings to our people speak for themselves.

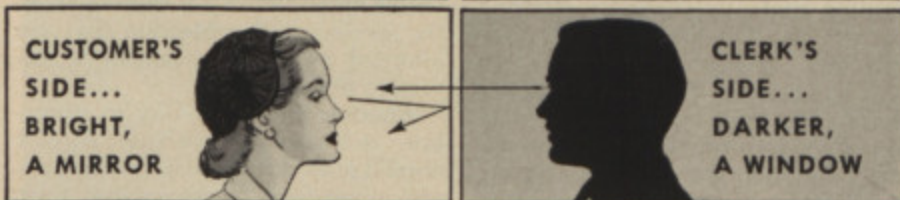
That the world has been very sick in terms of economics since the war has been all too clear, and while men differ as to the diagnosis for the ailment, one symptom has been recognized by all. That is the so called dollar gap.

Since the war the average world dollar deficit has been on the order of \$4,000,000,000 a year, and in the worst year, 1947, it went as high as \$11,000,000,000. The Marshall Plan cut that down rapidly, as did the Korean war, due to our heavy buying of raw material and other goods and services from abroad. But what thoughtful person could advocate either perpetual giving or perpetual war as the solution to international economic problems?

The key word in an analysis of the current basic imbalance in world trade is convertibility. If all controls over trade and foreign exchange were forthwith removed, sound money might be achieved but at the expense of complete human disaster in some countries.

A gradual approach to convertibility is better judgment, and that policy seems to be working. Steady improvement has taken place within

MIRROPANE in endless-type open refrigerated cases at Heinen's Super Market, Cleveland, Ohio, makes it easy to view food—replenish quickly from behind sliding panels. And the mirror side adds eye appeal to the food!



Why stores like **MIRROPANE**... the "see-thru" mirror

L·O·F *Mirropane** has a long record of success as a law enforcement agent—catching shoplifters and pickpockets. In modern supermarkets, for instance, store personnel can stand behind the food cases—where the light is dim—and see through *Mirropane*. From the brightly-lighted shoppers' side, *Mirropane* reflects like a mirror. As a result, more and more food stores are putting *Mirropane* on the payroll as a time and money saver. It will pay you to investigate *Mirropane* for the practical help, the realistic protection it offers. Get all the facts from your L·O·F Glass Distributor or Dealer listed under "Glass" in the yellow pages of phone books. Or write us direct.

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EDWARD BURKE

Trade means exchange. We cannot go on shipping goods not paid for

the past year, and can still be noted from month to month.

Most of the world outside of the United States is currently starving for capital. The first and most obvious way in which immediate steps can be taken by the U. S. to correct the terrific imbalance in the world economy is through foreign investment by American citizens. Strong flow of private American capital into the world economy would accomplish two things at once. If properly based upon self-interest it could bring handsome returns to our own citizens, while at the same time serving clearly to stimulate effort within other countries.

When an American company builds a plant in Turkey, for example, it not only serves the self-interest of our people, but it gives new employment in an underdeveloped country, puts money into circulation, and by example stimulates the whole economic life of a country that will offer a foreign market for American goods.

The service that an outward flow of American capital could perform in bringing normalcy to world trade conditions is so important that it would seem to merit the creation by our government of incentives for that flow, within the structure of the U. S. income tax laws. This practice is common among other nations. Presently, income from foreign investments is taxed at the same rates as income from investments within the United States, and attempts to avoid double taxation by allowing credits for the foreign taxes have not been altogether successful.

The true incentive is a reduction in the corporate tax rate by a ratio sufficient to stimulate this outward

flow of capital. This partial rate reduction involves no unfairness to domestic investments, since the investor abroad does not receive all of the services and protection that are afforded by the government to investors at home.

Another important way to stimulate this flow of private capital abroad is to revise the laws that govern investment trusts so that they may be able to pass on to their investors the same incentives that would be made available to corporations. The investment trust is an important modern mechanism for gathering together the savings of a great many people for investment in industry, and that medium is not presently being employed as it ought to be to funnel capital from the great American pool of savings into the attractive opportunities for investment available in other parts of the world.

One handicap to the outward flow of private capital that must be overcome is the system of arbitrary and discriminatory practices of some countries toward American investors. Illustrations are limitations upon the bringing back of the profits and the earned amortization, limitations on the bringing in of American nationals for administration, and requirement that control of the enterprise be lodged in nationals of the country in question.

In addition to capital investment abroad there is one other important source of American funds for providing other countries with the currency with which they may buy goods, and that is tourism. This flow of dollars not only has become of genuine significance, but the future is bright for its further growth.

But as in the capital investment

program, there are many roadblocks to be removed in the stimulation of tourism. The United States, for example, is one of the few nations of the free world that requires a visa, and our restrictions in terms of procedures, taxes on travel, and other inhibitions against the free passage of people from one country to another are among the most onerous in the world. They need clarification and simplification badly.

But neither the outward flow of American capital nor the spending of dollars abroad by our tourists can by themselves correct the imbalance of world trade. To continue to enlarge our outbound shipments of American commodities, there must be a counterbalancing inbound flow of commodities produced in other countries. There is no other choice. Trade means exchange. We cannot go on shipping goods that are not paid for. This takes us squarely to the question of the American tariff system, and the issue has to be faced directly.

Historically, the United States has been a protectionist country. But what may have been sound at the turn of the century may not be sound today. The U. S., looking to its own future, requires the vast new markets which only the outside world can provide. That clearly can be accomplished only by a gradual turning toward the liberalization of trade, and the freer flow of the goods of others into our own markets. We cannot enter theirs and keep them out of ours. Trade requires two sides.

The change from strong protectionism toward a more liberal trade attitude and a stronger flow of dollar-earning imports must of course be accomplished with the least possible disturbance to American investors and workers, and the least possible distortion in our economy. The process is one of growth, not explosive change.

It is often said that high tariffs are required to protect the American standard of living because wages are so much lower in many other countries. This comparison is usually made in terms of cents per hour of wages paid. Yet any man who is familiar with industrial operations knows that a mere comparison of hourly rates is an unsound criterion upon which to base a comparison of ultimate total cost. Obviously, the productivity of labor can make all the difference in the world, and the productivity of American labor is the highest known. It is the total labor cost per unit of product shipped that is the ultimate test.

Trade thrives when we exchange that which we make best for that

which other nations make better than we. The ultimate consumer is best served in this way.

If it were not cheaper or better to buy the foreign commodity, each nation would of course produce and buy its own.

One further factor that is not often fully weighed by those who seek higher tariffs is the principle of retaliation. The U. S. has held the whip hand for so long that many forget that it is possible for other nations to strike back at us. Yet strike back they can, and do.

Take American tobacco for example. Production of tobacco is of great importance to many of our southern states, and in processed form it is shipped to the four corners of the earth. Yet tobacco can readily be obtained from other producing areas, and the favorite device of some countries when we raise the tariff against a product of theirs is promptly to restrict the purchase of American tobacco by their people.

This transfers the alleged damage of imports from the industrial North in our country to the agricultural South. Similarly, when we excluded Danish blue cheese, the Danes stopped buying American coal and turned to Poland. We thus transferred a burden from Wisconsin to West Virginia.

Nor is economic retaliation by other nations with respect to our tariff policy limited to the use of restrictive controls over our imports on their part.

They have many other tools, the effectiveness of which they are rapidly coming to understand.

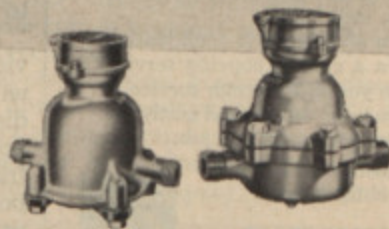
One such tool is the exacting of royalties, or the levying of excise taxes upon raw materials outbound from their countries to ours, the effect of which is to increase our cost and improve their revenues.

Closely allied with our tariff barriers are those imposed by governmental procedures in the field of customs regulations. It is often said by producers in other countries who wish to enter our markets that, given stability in our tariff policy and simplified customs procedures, they would do far more business with us than we presently enjoy. Their complaint concerning our regulations has some merit.

Our pattern of rules and practices is something of a complex historical accident that badly needs overhauling. When products are not described by name in the customs regulations, the duty to be imposed is determined by reference to categories. If the inspector does not find the article listed, he does the best he can by comparing it to something

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that is listed. Alternative standards of valuation frequently exist.

All this introduces great insecurity to the foreigner not familiar with our ways, for it necessarily follows that an inspector in New York might use one standard, while one in New Orleans might select another. The spread might be as much as 25 per cent in the tariff duty.

Another very special and thorny subject closely allied to the tariff is what is commonly known as our Buy American policy. Deep within the depression laws were passed to require the government as a matter of broad principle to buy only American goods with the money of American taxpayers. Those laws still prevail and lay a heavy burden upon the taxpayer of which he is only dimly aware. There have been times when large pieces of equipment required for public use have been purchased in the U. S. at a premium of as much as 25 per cent over offers made by foreign producers of the same goods.

Closely allied with Buy American policy are the laws which establish what is known in shipping and government circles alike as the "50-50." This is the requirement that in all shipments financed by government funds such as economic aid, loans by the Export-Import Bank, etc., 50 per cent of the material shall be carried in American ships.

No sensible person quarrels with the concept that American security requires a strong Merchant Marine, but that is not what is involved here. The question is whether the subsidy to a Merchant Marine shall be direct and aboveboard, so clearly shown in the national budget that any taxpayer may ascertain it, or whether it shall be concealed and so disguised that no citizen can determine the amount of tax that is being devoted to that purpose.

Another of the governmental devices which, whether practiced by us or by other nations, introduces distortion into foreign economic policy and creates animosity and friction is that of the subsidy of exports. When it is practiced against us, we call it dumping. But when we practice it against others, we call it taking constructive steps to market surpluses.

Clearly, when the United States sells agricultural products abroad which have been placed in storage under our price support program, and when our sale price overseas is below the price guaranteed by the government to the farmer, we are dumping. We are engaged in export subsidy, and are committing the very sin against which our manufacturers so properly protest.

The impact of this agricultural program upon our foreign economic policy is so dominant that we shall never bring world trade into balance where it will respond to normal economic forces until an answer is found.

The problem has been shielded from public analysis to date by our foreign economic aid program. Without sensing it, American taxpayers have themselves been buying our agricultural surpluses by making available to some countries the dollars with which to buy them. This has brought to large segments of our population a false prosperity.

To give away large quantities of our surpluses impinges upon the economic strength of some of the very nations we have been trying to help.

Take Turkey, for an example. Through our program of technical assistance and great effort on the part of her people, Turkey has so improved her production of wheat that she has changed from an importing to an exporting nation, thus greatly advancing her own economic welfare. If we take those markets away from her by giving our wheat to the people to whom she would sell, we destroy that which we have helped to create.

Or take Denmark. She relies upon dairy products for her economic life, but obviously people will not buy her butter if they can receive ours free.

Emotion and political controversy seem to block our disposal of these agricultural surpluses by direct sale to Russia or other communist-controlled countries in exchange for gold. Yet here are markets which we might be able to enter without serious damage to our friends, the extent of which may be enormous for all we know. Their gold is a commodity which we could use to great advantage for many purposes in all parts of the free world.

It is sometimes said that by taking Russian gold we somehow strengthen their economy. But the production of gold requires effort. In any country it takes a combination of capital and labor, and the effort put into the production of gold in Russia would by hypothesis be effort withdrawn from the field of heavy industry or munition making.

The question of what is wrong in taking Russian gold for our agricultural surpluses, as the least objectionable method of removing the sword of Damocles from the field of foreign economic policy, remains unanswered for the reason that the American people cannot talk about it without shouting.

Yet some answer must be found, based upon an understanding of the

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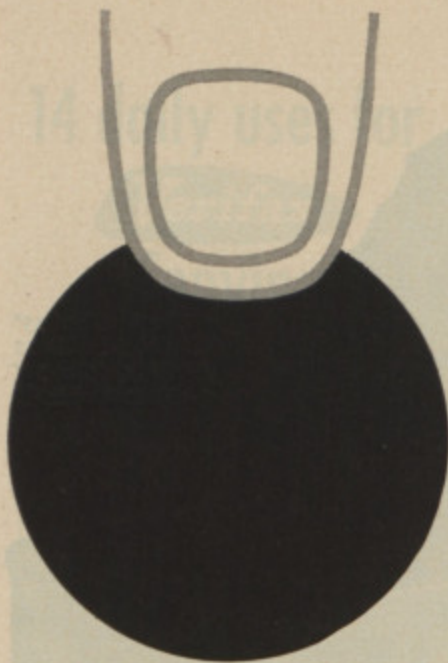
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whole problem and overriding consideration for the national welfare. The interest of the manufacturer and the industrial worker on the one hand and the farmer on the other are inextricably woven together in this problem. As the matter stands, some 12 per cent of our agricultural produce must move overseas, since it constitutes oversupply with respect to the domestic market. If this percentage of the total production cannot be marketed abroad, farm production must be curtailed by 12 per cent. Surely the public will not countenance the madness of paying from the public treasury for commodities that are not needed and not marketable.

One other thorny question remains to be considered in the general field of foreign economic policy. That is the subject of East-West trade. Shall peaceful trade with Soviet-dominated countries be encouraged or forbidden?

Two segments of the controversy may be rather easily disposed of. No sober minded person could possibly advocate the sale of munitions of war to the communist bloc. As for trade with China, the decision has been made by those who are responsible for the defense of our country that this traffic is presently unwise. No layman can possibly have the confidential information to warrant his expressing a judgment with respect to that decision.

Trade between Western Europe and such countries as Poland and Czechoslovakia, however, presents a case which can and should be analyzed with open minds.

Something must give way in this dilemma, and the least of the evils would seem to be to release our controls over the commerce of other sovereign nations, and permit them

to make their own decisions with respect to the recapture of their historic markets.

There are those who urge that this process would tend to reduce the chance of revolt in the communist countries because improving the comforts of life would tend to make their people complacent with their lot. The proponents of restriction urge that our security is best served by greater misery for the human beings behind the Iron Curtain.

None of this is convincing. If American butter should be consumed in Czechoslovakia, there is no way by which its origin could be fully concealed, and its presence there would tend to convey the direct impression that in the West there exists a country that has so much butter for everyone that it has plenty to spare for the world.

And thus it might be with all forms of consumer articles with which we are so familiar, but which are so lacking there. If such goods became common on the other side because they were purchased from us, their former lack would be brought into sharper focus, and the source of the new conveniences would be associated with the concept of freedom.

The obvious flaw in this argument is that there is grave doubt as to whether, except for an unknown supply of gold, the communist countries have much to trade. They talk large in terms of commerce, but in actuality we see little that is evidence of concrete developments. This in itself might be a useful by-product of permitting trade to reopen, but if the West were ready and willing, the East would have its bluff called, and their empty shelves would be apparent for all the world to see.

Actually this whole subject is

somewhat academic on our part, except insofar as our own commerce is concerned. The important thing is trade with the East by the countries of Western Europe. Those nations are presently of a mind to make their own decisions in this matter and not to take dictation from the United States. In reality, they are going to go ahead and trade with the East, and there is little we can do about it.

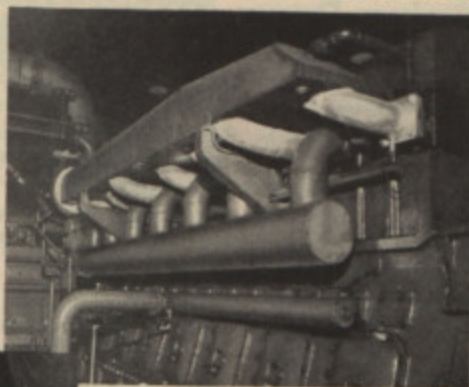
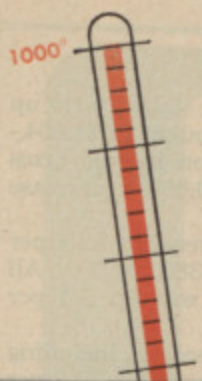
When all of these various considerations have been weighed, one invariably comes back to the conclusion that there is no short answer, no simple solution for reaching the goal of balance in international trade and achieving the benefits of steadily rising volume in the commerce among nations. It is not simply the tariff, not just the flow of private investment capital abroad, not simply the curtailment of aid, not only the development of services such as tourist expenditures that will bring the world into balance, but these and a host of other things pursued simultaneously and in concert. All of these steps are interlocked.

The greatest roadblock of all to the creation by the United States of a foreign economic policy that boldly suits the responsibility that our country bears in the modern world, and this must be said with absolute candor, is the inability of our business community to place the national welfare above self-interest. Rare indeed is the company or the trade association that asks first the question of what is best for all of the people, and only secondarily what will help the marketing of a particular product. In the abstract, businessmen by an overwhelming majority favor the rising volume of world trade that liberalization would bring, but they want it applied to some other industry than their own.

Our foreign economic policy must be reformulated boldly to achieve two ends: One, the implementing of our program for national security, and the other, the creation of a steadily developing volume of world trade for the support of our own economy.

Gradual change in the direction of more liberal trade is certain to come in the years that lie ahead because the forces at work in the world will compel it. Readjustment is inevitable. Let us bring it to pass with moderation rather than await the violent changes which are sure to come if the forces now at work in the world are allowed to build up too long and with too great strength.

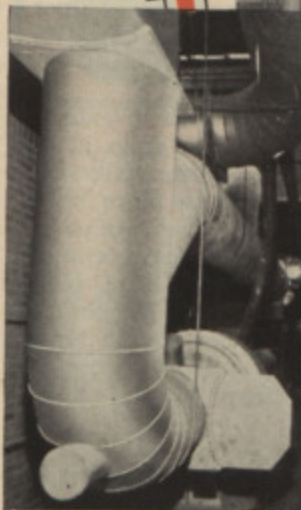
The whole world is throbbing with new life and vitality. It is America's destiny to lead this new world for the betterment of all mankind. **END**



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Going Down, Going Up

(Continued from page 33)

Total revenue of the states from all sources in fiscal 1953 was \$17,978,780,000, an increase from \$16,815,000,000 for the previous year. Nontax sources in 1953 provided \$7,400,000,000. This amount included \$2,600,000,000 from the federal government and \$2,500,000,000 from insurance-trust sources, largely for unemployment compensation. Total taxes collected by the states in 1953 came to \$10,552,000,000.

The figure in fiscal 1954 was \$11,071,640,000.

All but six states had higher tax yields than last year (tax yields were lower in Idaho, Maine, North Dakota, Oregon, South Carolina and Vermont). Two states (Connecticut and Delaware) had increases of more than 15 per cent.

The average increase for all states over last year was 4.9 per cent, which is less than the three previous years but in dollars approximately equals the average yearly increases from 1942 to 1950.

For all states the gasoline tax gained the most in '54. It was up 10.1 per cent and brought in a total

income taxes (in 31 states) were up 3.7 per cent and brought in \$1,004,000,000. Corporation income taxes brought in \$772,000,000, a decrease of 4.8 per cent.

Property taxes were up four per cent for a total of \$380,000,000. All other tax revenue was up 5.3 per cent.

Sales and gross receipts, including gasoline taxes, account for 59.5 per cent of the total tax revenue. In 1946 this category of state taxes accounted for 56.8 per cent.

Also important to state revenue is the income tax, which brings in 16 per cent. This is substantially unchanged percentage-wise since 1946.

The declining importance of property taxes to state income is indicated by the proportion of total revenue provided by this source: 3.4 per cent now, 5.0 per cent in 1946. Death and gift taxes also show a small decline: from 2.9 per cent of the 1946 total to 2.2 per cent now.

Licenses, permits and other taxes account for slightly less than 19 per cent of the states' income. This proportion is up a bit, but the figure has fluctuated less than one per cent.

When state legislatures meet next year all will consider the possibilities of increasing taxes, both by creating new sources and by expanding existing sources. Which taxes are likely to be increased depends on factors that vary in each state. Some general conclusions, however, can be drawn. Doubling the death and gift tax rates, for example, would hardly squeeze another drop into the tax bucket. Total contribution of these taxes is too small to be significant in any increase in a state's income.

An increase in the general sales tax, however, might add substantially to the tax take. So would increases in gasoline taxes and motor vehicle and operator licenses. Revisions of property taxes, especially correcting broad inequities in assessments, can be expected to produce some additional revenue since inequities are usually "corrected" upward toward the highest assessments. However, more than 95 per cent of all property taxes go to local governments, not the states.

Efforts to revise some state income tax laws can be expected next year, following the pattern of the new federal tax code revision of this year.

Altogether, however, no category of tax sources is likely to expand vastly out of proportion to other sources. Efforts will be made to expand all sources possible.

The most significant factor influ-

encing tax revenue is the level of business activity. Without any increase in tax rates at all, good business conditions will produce revenue increases.

Many legislators today are thinking in terms of what can be done—or what should not be done—to improve business. As the nation's economy expands, the contribution of better business to tax revenues is even more obvious.

Direct expenditure of states in 1953 totaled \$11,466,000,000, up from \$10,790,000,000. Expenditure for general functions came to \$9,294,000,000, an increase of \$640,000,000. States spent \$1,634,000,000 for education. That item was up \$140,000,000 over the previous year. Highways cost \$2,781,000,000, up \$225,000,000, and public welfare, which cost the states \$1,534,000,000, was up \$124,000,000.

Other expenditures were: \$170,000,000 for health, up \$6,000,000; \$1,014,000,000 for hospitals, up \$46,000,000. Police cost \$119,000,000, or \$13,000,000 more than the previous year. Expenditures for natural resources showed a decrease, from \$539,000,000 to \$531,000,000.

State liquor stores, which brought in \$967,000,000, cost \$757,000,000. Insurance-trust expenditures, including employee retirement and unemployment compensation, cost the states \$1,416,000,000.

Most other expenditures also showed increases.

State debts climbed from \$6,900,000,000 to \$7,824,000,000.

Taxes collected by local units of government in 1953 (figures just compiled by the Census Bureau) total \$10,356,000,000. The 1953 tax take was \$890,000,000 higher than taxes collected for the previous year, \$2,942,000,000 higher than 1949, and about twice as much as the 1946 collections.

The property tax continues to be the major source of local revenue. The sum for last year was \$9,010,000,000.

Yet the importance of property tax is decreasing slightly, due largely to the increasing importance of other tax sources. In 1953 property taxes provided 87.1 per cent of the total local revenue from tax sources. The proportion dropped from 92 per cent in 1946.

The contributions of other sources of local revenue have grown. Significantly, the income from sales and gross receipts—\$718,000,000—now accounts for 7.0 per cent of the total. It was 3.5 per cent in 1946. The proportion of licenses, permits and miscellaneous taxes has grown from 3.8 per cent in 1946 to 5.0 per cent now. The sum now collected, \$519,000,-

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*state and local
tax collections next year
will be:*

\$1,500,000,000
higher than 1954.

\$2,592,000,000
higher than 1953.

\$4,177,000,000
higher than 1952.

\$5,946,000,000
higher than 1951.

\$7,086,000,000
higher than 1950.

of \$2,223,000,000. The sales and gross receipts tax kept its place as biggest producer of revenue—\$2,536,000,000, or 4.2 per cent more than '53. Tobacco products brought in \$464,000,000 and alcoholic beverages brought in almost as much. Both of these show slight decreases. Other sales and gross receipts accounted for \$887,000,000.

Licenses for vehicles and operators brought the states \$1,094,000,000, an increase of eight per cent. Individual

000, is \$321,000,000 higher than 1946.

Significant also is the growth of income taxes as a provider of funds for local governments. Although the proportion is still small (one per cent), individual and corporation income taxes contributed more than \$103,000,000 to local governments in 1953.

The financial plight of American cities is told in a U. S. Department of Commerce report compiled by the Bureau of the Census. For 481 cities of 25,000 inhabitants or more, citizens paid taxes amounting to \$60.84 per inhabitant in 1953. The figure for the previous year was \$55.82. Although revenue collected by these cities was 7.9 per cent higher, expenditures rose 8.3 per cent. Indebtedness rose 6.9 per cent to a record total of \$11,322,000,000—an average of \$182.76 for each person living in those cities.

Financial problems for the nation's smaller cities are no less acute.

All units of local government spent \$21,501,000,000 last year. That's up \$1,408,000,000 in one year.

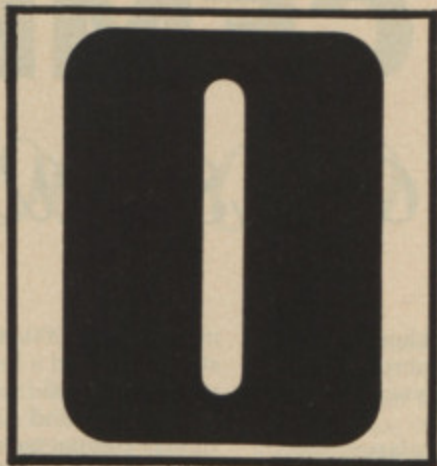
Direct general expense totaled \$18,616,000,000, an increase of \$1,172,000,000. Education, which cost all local governments \$7,756,000,000, was up \$932,000,000. Local governments spent \$2,206,000,000 for highways, \$112,000,000 more than the previous year. The bill for public welfare was \$1,380,000,000, up \$2,000,000 over the previous year. Cost for health purposes was down slightly to \$257,000,000, but the cost for hospitals was up \$72,000,000 to a total of \$849,000,000.

Police protection cost local governments \$919,000,000, or \$86,000,000 more than it did in 1952. Local fire protection was \$598,000,000, up \$12,000,000. Sanitation costs went down. The 1953 expenditure was \$908,000,000, or \$84,000,000 lower than the previous year. Housing and community redevelopment, which was down \$138,000,000, cost \$628,000,000.

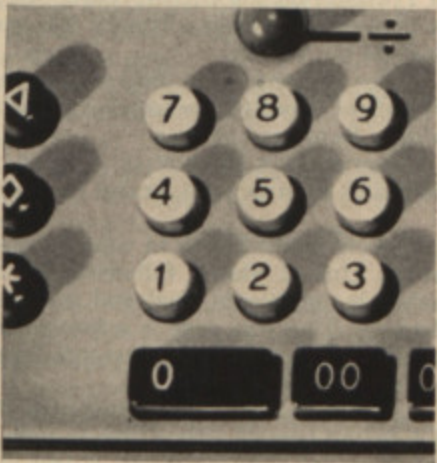
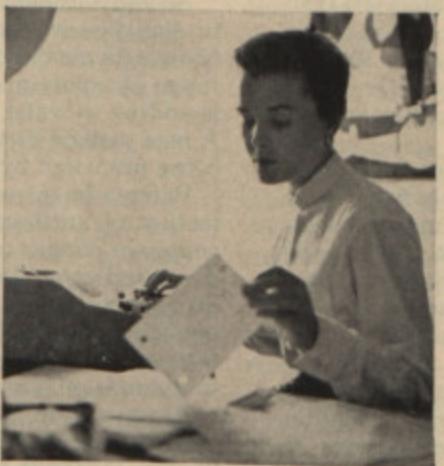
Employee retirement and unemployment compensation cost local governments \$296,000,000, or \$11,000,000 more than the previous year. Public utility and liquor store expenditures totaled \$2,589,000,000. That's an increase of \$225,000,000 for these purposes. Most other local expenditures also were higher.

Local public debt rose from \$23,200,000,000 to \$25,735,000,000.

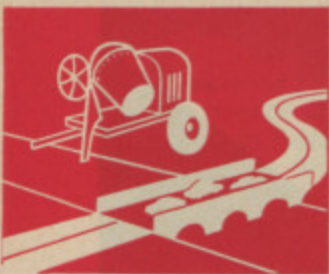
As long as state and local expenditures exceed revenue, and as long as expenditures continue to rise, there seems little hope that state and local taxes will stop increasing. Financial experts see no prospects that this budget will be balanced soon. **END**



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CEMENT

construction's

THE cement industry, \$1,000,000,000 backbone of the current building boom, has recorded an unbroken rise in production, shipments and sales every year for the past decade.

Cement takes on tremendous new importance, too, as a principal ingredient of our rapidly expanding highway system. This year, for example, some 157 cement plants in 36 states and Puerto Rico will grind out the massive total of 50,000,000 tons of cement to help build the nation's highways, bridges, dams and sidewalks; to bind together vast quantities of sand, gravel and other materials that go into the construction of virtually all large buildings, airport runways, dry docks, harbor seawalls and piers and a multitude of other projects, big and little.

A word may be in order here to clarify "cement," "portland cement" and "concrete."

Portland cement (incidentally, the "portland," like bourbon, no longer uses the capital letter) is the dominant material in the industry, making up more than 98 per cent of U. S. production. It was named in 1824 by Joseph Aspdin, an English mason whose experiments with limestone and clay resulted in a substance which reminded him of stone quarried from the Isle of Portland off the British coast. All portland cement is man-made and in virtually the same manner first devised by Aspdin.

Other cements are composed of ingredients mixed by nature, usually lime and clay. Their properties vary widely from area to area.

Concrete is a mixture of cement, water and inert materials such as sand, gravel or crushed stone.

Cement ranks fourth in value in mineral production in the United States, following the traditional basic minerals, petroleum, coal and iron ore. Its total production value this year is estimated at about \$1,000,000,000, with value of shipments from mills expected to top \$700,000,000.

Cement manufacturers measure their product in 376-pound barrels rather than in tons. Mill shipments this year are running ahead of last year's 260,888,000 barrels, an all-time high and valued at \$698,091,000. The 157 plants, operating at an average of 93 per cent of capacity, produced 264,023,000 barrels in 1953 at a mill price per barrel of \$2.68. The industry employs about 40,000 persons with an annual payroll exceeding \$145,000,000.

Portland cement is used in concrete so dense that it reaches a weight of 250 pounds per cubic foot (compared with the normal weight of 150 pounds for sidewalk or pavement concrete) or so light that it will float, and can be drilled, sawed and nailed like lumber. This lightweight concrete finds new uses in interior walls of theaters, auditoriums and classrooms, where a high degree of sound absorption is needed, or where fire safety makes strong insulation imperative.

Soil cement is an outstanding example of scientific development of a new product to fit a special need. A host of small cities and rural communities, faced with

more than 2,000,000 miles of deteriorating roads and streets, needed a low-cost paving material for use where volume of traffic was small.

The Portland Cement Association came up with a tightly compacted mixture of soil, portland cement and water—easily applied to most level surfaces. Within the past few years soil cement has grown from a bare idea to some 125,000,000 square yards of roads, streets and airport pavements and canal linings.

The latter use—canal linings—has great promise. The U. S. Bureau of Reclamation reports that in one recent year almost 25 per cent of water supplied for irrigation was lost in transit through ground seepage in unlined canals.

White portland cement, obtained by adding white quartz to the cement powder, helps build added safety into many highways. A strip between parallel lanes in a highway is topped with an inch of white cement mortar which acts as a permanent lane separator or marker and needs no repainting.

The surface of the white marker is scored to reflect car headlights and also "sings out" a warning when car wheels leave their lanes and hit the strip. This type of cement produces the gleaming brilliance which can be seen in the Bah'ai Temple in Wilmette, Ill., and the Prudential Insurance Company building in Los Angeles. The Boeing Aircraft Company used white portland cement to build concrete floors in its Seattle plants. Light reflected to the underside of the planes greatly benefits assembly line workers through increased visibility.

Portland cement grout, a mixture of cement and water (sometimes with sand) proves a boon to both the oil and the railroad industries. In oil fields, grout is forced under pressure into well casings until it flows out the bottom and then upward into the space between casing and drill hole. The hardened grout forms a protective wall which holds the casing rigid. Forty-five railroads use grout to stabilize track subgrade, fills and embankments. Grout also is pumped into joints of old masonry to replace damaged mortar.

Asbestos-cement building products, commonly used in shingles, wallboard and siding, combine asbestos fibers with portland cement and are produced in a wide range of colors and textures. Portland cement paint is adding to water resistance of various wall surfaces. A new method of transferring color to concrete also is being promoted by the industry.

Patents have recently been granted for the manufacture of antibacterial cement, produced by adding copper or copper compounds to portland cement. Evidence indicates that it is effective in concrete flooring used in locker and shower rooms, around swimming pools, in industrial kitchens and in dairy barns. Bacteria are killed on contact but the concrete is nontoxic to animals or humans.

Air-entrained concrete is perhaps the crowning achievement of years of highway research conducted by the Portland Cement Association in an effort to

\$1,000,000,000 partner

combat scaling and cracking of concrete highways in freezing weather.

This cement is made by grinding small quantities of soaplike materials with normal cement clinker. These materials dissolve out, leaving billions of microscopic air cells in each cubic foot. The air cells, in turn, relieve internal pressure on the concrete by providing tiny chambers for the expansion of water when it freezes. Air-entrained concrete is highly resistant to frost action and freezing and thawing cycles and, for all practical purposes, is immune to surface scaling caused by use of chemicals to melt ice on streets. Thirty-two state highway departments now specify its use for all pavements. Ten other highway departments call for it under certain conditions, while many states specify its use in all bridges and structures and it is designated for many jobs by federal agencies.

Low-heat portland cement is used in structures of great mass where heat generation must be kept to a minimum. Hoover Dam is an illustration of this use.

In addition to seeking new and extended uses for cement and concrete, the industry doesn't overlook modernization of its own production facilities. Longer kilns are being used to speed the flow of volume needed to meet the demands of new construction. The longest kiln—more than 500 feet—is at Kingsport, Tenn.

Dust collectors, automatic draft controls, preheating furnaces, raw mixture controls, instrumentation and automation all are playing an important part in advancing the fortunes of the cement industry.

Coordinating this intensive effort is the Portland Cement Association itself, a national, nonprofit organization set up in 1916 in Chicago. It is supported by some 67 member companies, operating 147 plants which produce 90 per cent of the portland cement used in the United States and Canada. The Association makes all inventions and new developments relating to cement and concrete freely available to cement users.

More than 300 trained field men, working out of 29 regional offices in 46 states and the District of Columbia help bring this information to cement users. The Association's \$3,500,000 research laboratories near Chicago comprise more than 100,000 square feet of floor space and are the largest and most completely equipped in the world devoted exclusively to cement and concrete research. Staff specialists and scientists also study concrete in the field.

What do these scientists, chemists and physicists see for the year 2000 A.D.—and beyond?

Unusual methods of building construction are being tested almost daily. Entire floors and roofs are precast and stacked one upon another, "loose leaf" fashion, around columns. Hydraulic jacks are fastened to the top of each column and one by one the roof pieces and floors are lifted into place. Once in position steel collars imbedded in the precast floors are welded into matching plates in the column. Engineers already are thinking in terms of 15- and 20-story buildings using this "loose leaf" construction technique.

Prestressed concrete, which combines lightness and

strength, is among the most promising developments in construction in recent years. French engineers, who have been in the forefront of prestressed concrete research since its earliest days, are even making prestressed concrete airplane wings.

Of more immediate use, however, is the place occupied by prestressed, reinforced concrete in the construction of gymnasiums, aircraft hangars and industrial and commercial buildings where large areas of clear floor space and high ceilings are needed. Roofs covering such areas must span long distances without support of interior columns and without large beams that reduce usable height between roof and floor.

Twin hangars built at Chicago's Midway Airport for American Airlines each have a thin shell concrete roof covering a floor area of 45,000 square feet and with a clear span of 257 feet—yet the shell of each roof is at most points only three and one half inches thick.

Near Seattle, engineers consider spanning the three-mile width of Puget Sound with a floating concrete bridge. A similar concrete pontoon bridge across Lake Washington, also near Seattle, where the enormous pontoons are anchored fast to the lake bottom, has proved highly successful. Construction of any conventional type of bridge supported on fixed piers is nearly impossible across Puget Sound because the water is from 600 to 800 feet deep.

Eight huge concrete boxes will serve as the foundations for the main span supporting the New York Thruway across the Hudson River. These have been floated into place and are so designed that their buoyancy helps relieve the load on the supporting soil of the river bed—an unusual reason for adopting a new type of bridge construction.

The traveling-form paver is the newest weapon to be thrown into the battle for more and better highways. This awkward-seeming but amazingly efficient device moves down a prepared roadbed leaving a slab of pavement behind and carrying its own forms with it as it goes—somewhat like a big mechanical hen.

Advances in concrete highway design and construction have served to increase the service life and riding qualities of concrete pavement; air-entrainment has eliminated damage resulting from frost and use of chemicals in removing sleet and ice; new techniques and equipment have added to durability and, by speeding construction, have cut down both initial cost and annual upkeep bills. Engineers today predict that a properly built concrete highway can be expected to last 50 years or more under heavy traffic with lower annual maintenance cost than at present.

For cement industry scientists the roots of the Twenty-first Century already are pushing slowly but surely into the fertile soil of the present; these roots are receiving constant nourishment:

As long as a growing population wants more highways, dams, bridges, houses, buildings, airports, railroads, canals, sidewalks, schools, it will want, and get, more cement.—DONALD C. SPAULDING

END



EDWARD BURKS

NEW SENATE LEADER

politician's politician

By **SAM STAVISKY**

THERE ARE VARYING opinions in Congress about Lyndon Baines Johnson, but on one point there is emphatic agreement. Champions and critics alike agree that the big, black-haired, black-eyed Democratic senator knows his business—the business of politics.

By sticking strictly to his business, the Texas-size Texan has attained at the relatively tender age of 46 the highest accolade that Capitol Hill can (unofficially) bestow: “politician’s politician.”

Lyndon Johnson prepared himself for the role of consummate politician during a 20-year career in which, steadily and designedly, he rose from obscurity as a party doorman in the House of Representatives to national prominence as party floor leader in the Senate. He proved his right to the topmost tribute during the past two years when, as minority leader,

he welded the long-feuding factions of the Democratic Party into a united—and triumphant—bloc on a number of key issues.

During the next two years, as majority leader of the Senate, the rangy legislator will undergo a tougher test of his political astuteness.

Lyndon Johnson demonstrated remarkable talents in persuading the liberal northerners and conservative southerners to pull the party’s donkey in the same direction during the past two years in which the Democrats were the minority party. But it will require an even higher order of talent to duplicate the feat when the Democrats return to power in Congress next month.

Yet it would be folly to underestimate the poker-faced political ranger from the Lone Star State—especially since the stakes are so high. The man who can keep North and South

pulling together might naturally turn out to be the man the mutually suspicious Democratic liberals and Democratic conservatives could turn to as their mutually acceptable Presidential nominee in 1956!

In the eyes of many correspondents and other close observers of Capitol Hill, Lyndon Johnson emerged as the outstanding figure of the outgoing Eighty-third Congress. Statistically, the Texan achieved some kind of a record by getting himself elected minority leader at 44—youngest in the history of the Senate—and during his first Senate term. More important, however, was his record of performance.

The Texan is generally credited with beating back President Eisenhower’s legislation to revise the long controversial Taft-Hartley Act by a Senate vote of 50 to 42. All 48 Democrats were present and voting (or

paired) for pigeonholing the revision bill, and in effect killing off the proposed legislation. It was the first time that the Democrats had ever voted without deviation on a major labor measure, despite the fact that a state rights provision in the bill was highly attractive to a number of southern Democrats.

Again it was Lyndon Johnson who marshalled the votes of a nearly unanimous Democratic Party to force congressional passage of the administration-opposed measure to outlaw the Communist Party. The bill was conceived in the waning days of the Eighty-third Congress by Sen. Hubert Humphrey, of Minnesota, as a political retort to the political charge that the Democrats had been soft on communism. Senator Humphrey, a leader of the liberal bloc, went to Lyndon Johnson for help in putting the bill over. By the deft application of some clarifying language and amendments, the minority leader fixed the bill up so as to make it palatable to the southern as well as northern Democrats. In the showdown vote, the administration was defeated 41-39.

The Senate minority leader lost only two party votes when the Senate, over strenuous objections of the G.O.P. leadership, voted 46-43 to tie Alaskan and Hawaiian statehood into one piece of legislation. He lost only three party votes when the administration barely obtained Senate confirmation of Albert C. Beeson to be a member of the National Labor Relations Board. The Senate Democrats cast a unanimous ballot to force attachment of an antimonopoly amendment to the administration's small business legislation.

The lanky Texan's most spectacular display of legislative legerdemain involved the fiercely disputed measure revising the basic Atomic Energy Act. The administration, despite bitter debate and filibustering tactics on the part of the Senate liberal wing, had finally managed to come up with a piece of legislation acceptable to a conference of the Senate and House leadership. As a rule, such conference reports are routinely accepted by both chambers as the best practical compromise of sharp difference of opinion.

At this point, the minority leader rallied the southern Democrats to the support of the northerners.

Losing only two Democratic votes but picking up five Republican dissidents, he compelled modification of the measure so as to provide Democrat-demanded antimonopoly safeguards and preferential treatment for rural cooperatives, public bodies and high cost power areas. Senator Johnson maneuvered this last minute

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NEW SENATE LEADER

continued

change in the face of President Eisenhower's personal plea that the conference report be passed without change.

Not since the early days of the New Deal, when left and right wings alike fell under the magic spell of Franklin Delano Roosevelt, have the Senate Democrats voted as solidly as they did during the Eighty-third Congress. Indignation over Republican charges that the Democratic Party had been soft on communism and had fostered "treason" in high places in government undoubtedly served as a unifying influence, as Democrats rose to defend the party against the attack. Even so, much of the credit for the solidarity of the Democrats in the Senate over the past two years must be attributed to the tireless efforts of the gentleman from Texas.

Lyndon Johnson has an uncommon knack for finding a common ground for agreement among people who disagree. He gave public evidence of this characteristic during the Korean war when, as chairman of a special Senate Preparedness Subcommittee, he came up with 44 unanimously approved reports covering as many controversial subjects.

Senator Johnson—those closest to him will tell you—utilizes no secret tricks to obtain agreement. He simply puts to work all of the well known methods for getting a stubborn donkey to move forward—from the carrot to the stick—except that Lyndon Johnson works at it harder, longer, and more earnestly than just about anyone else on Capitol Hill. He is persuasive; he is persistent; he is in perpetual motion. While Congress is in session he is forever phoning

sensitizing senators, or collaring them in the corridors, or pinning them down in the cloakrooms . . . asking them, telling them, pleading and pressuring, badgering and placating . . . all with a sense of terrible urgency. He's always in a rush to get things done, and he drives his staff just as furiously as he drives himself. "Lyndon acts like there never was going to be a tomorrow," his wife, Lady Bird, once told a puzzled inquirer.

Critics of Lyndon Johnson have thrown the epithet of "opportunist" at him, but admirers insist that while he possesses an uncanny sense of timing, he acts out of detailed knowledge of the people, issues and circumstances. Senator Johnson, his boosters maintain, is a diligent student of facts. "Politics is the science of the possible," the senator has said.

In his role as political scientist, Lyndon Johnson has deliberately sought out and taken counsel from the wiser, older solons of Capitol Hill. Democratic leader Sam Rayburn, a fellow Texan, was long his guide in the House; Dick Russell, of Georgia, has been his mentor in the Senate. Both have continued as warm friends and supporters.

To Lyndon Johnson politics is serious business. Except for time he finds to spare with his family—wife and two daughters—he puts all his time, when Congress is in session or an election campaign is in progress, into politics. He shuns Washington's gay round of cocktail parties. He dislikes formal parties and formal clothes. Once he had to call on Supreme Court Justice Tom Clark for help in getting dressed for a white tie affair. The Texan just couldn't figure out how to make the bow.

Senator Johnson is known for short, hard-hitting speeches—when he makes them. He—and his staff—are good at phrasing points easy to understand. Last August, in attacking the administration's drought relief program, the minority leader denounced the help as inadequate and penny-pinching. "Very much like giving a man four shots of penicillin when he needs five," Senator Johnson charged.

He can also handle himself in the give and take of politics. Sen. Wayne Morse, of Oregon, once went after Lyndon Johnson in the latter's home state. If Johnson ever had a liberal thought, needled Senator Morse, it would bring about a brain hemorrhage. "I don't think Texas will pay any more attention to him than the Senate does," countered Senator Johnson.

For all of Lyndon Johnson's rush and drive, the record indicates the Texan never has rushed blindly, or driven wildly, toward an objective.

Instead, he has carefully checked his course and planned his action, and only then turned on the power.

Lyndon Johnson was born near Stonewall, Tex. His father and grandfather were both deeply immersed in Texas politics. Lyndon, raised in an atmosphere of politics, got his own first taste of it on the campus of Southwest Texas State Teachers College, but anxious to get into the real thing, he happily accepted an appointment to Washington in 1931 as secretary to Rep. Dick Kleberg, one of the owners of the colossal King Ranch.

In Washington, Lyndon worked zealously, learned the ropes, and made friends . . . influential friends. He revived the moribund "Little Congress," comprising the aides and assistants of members of Congress, and got himself elected speaker. A few years of this, and Lyndon resigned to take a lower paying job as a House doorman—one which gave him a better chance of meeting people and making more friends.

Lyndon's tactics paid off in 1935 with his appointment as Texas State Director of the National Youth Administration. He did a good job of administration, and made more friends while doing it. He also made something of a name for himself in the state. Two years later, when Rep. James P. Buchanan died unexpectedly, Lyndon Johnson at 28 was ready and set to make the jump into bigtime politics.

The death of Rep. Buchanan inspired a scramble for the vacant tenth district seat via a "sudden death" election which threw the race open to all comers, with the prize going to the candidate with the most votes. A dozen hopefuls entered the race, but of them, only Lyndon Johnson, of Johnson City, boldly and loudly proclaimed himself solidly in support of the New Deal, including FDR's court-packing plan. Johnson's unique and provocative stand not only drew the concentrated attack of the other candidates—along with the accompanying publicity limelight—but also drew the attention of President Roosevelt himself, then cruising in the Gulf. FDR lost no time in giving Lyndon the royal nod of approval. Lyndon just barely shouldered through to win the race. Later he went on to win re-election easily five consecutive times.

Meanwhile, in 1941—only four years after getting into the House—Lyndon Johnson made a bid for the Senate, at the express request and with the strong support of President Roosevelt. By this time, however, Texas had soured on the New Deal. For just about a week Lyndon figured he was elected, but when the

final count was in, he was out by 1,311 votes. His friends noted that the necessary margin of victory showed up belatedly in the political province of a supporter of the winning candidate, W. Lee (Pappy) O'Daniel.

Lyndon waited patiently—and prepared—for 1948 before making his second bid for the upper chamber. Now he was running not as the ardent New Dealer, but as a conservative against labor-endorsed former Gov. Coke Stevenson. Beset by illness, he put up a belated whirlwind helicopter campaign. In the primary, Mr. Johnson came off second best; but in the runoff, with more than a million votes cast, he squeezed in by the incredible margin of 87 votes. Friends of Mr. Stevenson noted that Jim Wells County, run by a political boss supporting Senator Johnson, originally announced 1,786 votes for Johnson, corrected six days later to 1,988 votes for Johnson. Charges of fraud were made, and the ballots of the key precinct within Jim Wells County were found to have vanished—but Lyndon Johnson survived all the ensuing court battles, and so did his margin of victory.

For two years, Lyndon heeded the axiom that freshman senators are best off when they tread and speak softly. But with the outbreak of the Korean war, the junior senator from Texas could no longer contain himself. Preparedness was a fetish with Lyndon Johnson. He had been the first member of the House to hurry off to the colors in World War II. During his six terms in the House he had concentrated his committee work on military affairs and was an acknowledged congressional expert in the field. No sooner was he sworn in as a senator than he was assigned to the Armed Services Committee.

Now, with the United States involved in war in Korea, the Texan rose to protest against the administration's policy of partial mobilization. Johnson demanded full mobilization. He lashed out at what he termed the Pentagon's policy of "delay . . . defeat . . . retreat."

Lyndon Johnson literally nagged the Senate into creating a special preparedness subcommittee to act as watchdog for the nation's defense activities. Despite his bottom-rung foothold on the ladder of Senate seniority, the young Texan was named to head up the subcommittee. Thus at the age of 42, Lyndon Johnson had pulled himself up to just about the place Harry Truman found himself at the age of 57 when he was chosen chairman of the Senate's Defense Investigating Committee. Senator

Johnson made good the opportunity. He spurred his subcommittee with his own tremendous resources of energy to conduct a series of widely headlined probes into waste in materials, construction, manpower. It is generally conceded that the subcommittee made a substantial contribution to the war effort, although some critics dispute claims that the subcommittee effected savings of more than \$1,000,000,000.

In addition, the savvy Texan gained for himself a national and popular reputation for riding herd on the Pentagon's generals. Among the Johnson crusades which rang the bell of public acclaim were probes attacking the extravagant use of manpower for noncombat needs, military air junkets, rent gouging of GI families near camps.

Meanwhile, in 1951, under the sponsorship of the highly regarded Senator Russell, the energetic freshman senator was named to fill a vacancy as majority party whip. This post of assistant floor leader carried little prestige but required a great deal of work, so there was little opposition to the choice of the comparative newcomer.

Two years later, however, Lyndon Johnson was in the right spot at the right time when Sen. Ernest W. McFarland, of Arizona, the majority leader, was defeated in the 1952 elections which brought the Republicans to power under the banner of General Dwight D. Eisenhower. Senator Russell threw his powerful support behind Lyndon Johnson and, over the protest of the northern liberals, got the youthful Texan elected to head the Democrats as minority leader in the Senate. With this post went the chairmanship of the Senate Democratic Conference, of the Senate Democratic Policy Committee, and of the Senate Democratic Steering Committee.

Although Johnson's voting record in Congress showed strong party loyalty and, after his initial New Deal advocacy, general middle-of-the-road tendencies, the liberals were appalled at the idea of having as their leader a man who had voted for the Taft-Hartley labor-management relations act and against President Truman's civil rights program.

In an effort to win over the hostility of the party's northern wing, the minority leader went out of his way getting preferred committee memberships for those liberals who lacked the seniority ordinarily necessary to get the really important committee assignments.

This successful effort appeased the liberals for a time, but during 1953 they became increasingly restive and

(Continued on page 92)

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Mr. Andrews Explains New Tax Law

(Continued from page 32)

removing or modifying provisions of existing law that create hardships or by closing loopholes that give discriminatory advantages that were not intended when the existing law was drawn.

It may seem paradoxical, but it is nevertheless true, that to achieve equity in income tax regulations is almost invariably to make the process of determining taxable income more complicated and to necessitate lengthening rather than shortening the return forms. This is true of returns of individuals as well as those of businesses, though generally not to the same degree, and nobody can be justly blamed for it.

The only assurance that we can give is that we have done our best to make the forms as simple as possible and to draft the instructions covering the preparation of the forms in language as clear and understandable, and in as orderly form as we could make it. It must be remembered that the new law requires hundreds of changes in the rules and that that requires more explanation and more room for the necessary schedules and statements that must be included in the forms.

Let me give you an example: We have to have in this year's 1040 space for dividend credits, new retirement income provisions, child care deductions, exclusion of sick pay, and a good many others. This is all new. For corporations, which you may be more interested in right now, our 1120 next year will still have four pages, but several items will be revised. Congress approved more liberal depreciation policies, for one thing, and so our schedules have had to be revised accordingly.

Tax code amendments have been accumulating and changing and disappearing over the last 40 years or so. These laws make necessary separate forms for major groups of taxpayers such as citizens and residents, nonresident individuals, corporations, personal holding companies, insurance companies, partnerships, fiduciaries, and others, as well as minor groups such as taxpayers subject to tax treaties with foreign countries.

Now, specific important changes in the new 1120 include a complete revision of Schedule I. This is important because the new schedule now includes depreciation as well as amortization deductions and also provides for the declining balance and sum of the years' digits depre-

ciation methods in addition to the straight line method. Also, for the first time, provision has been made on the form for amortization of research or experimental expenditures, exploration and development expenditures and organizational expenditures, in addition to provisions for existing amortization of emergency and grain storage facilities.

We have a new Schedule K in the corporate return. That used to be the section where excess profits liability was determined, but now, since the excess profits law has gone off the books, we've made it a special deductions schedule. Actually, the principle of special deductions is new in name only. Corporations formerly received credits against their net income—and that's what this schedule covers. Some of the categories include interest on partially tax-exempt bonds, dividend credits, certain public utility stocks and Western Hemisphere and foreign trade corporations.

In connection with partial tax-exempts, incidentally, that deduction will ultimately go off the form. Only about \$8,000,000,000 of these bonds remain as part of the federal debt and they'll be liquidated before many years.

Of interest to personal holding companies, we've combined section 541, the personal holding company return, into the body of the corporate return, so, in a sense, these areas of corporate income have been drawn together and simplified. At least only one form, instead of two, has to be filed next year.

I would also like to mention that the mailing of these new forms—for business and individuals—will start right after Christmas and should be completed by the middle of January. Of course, individual taxpayers next year have until April 15 to file their returns instead of March 15.

This business of writing regulations covering the new law is a big undertaking, isn't it?

MR. ANDREWS: Yes, the drafting of regulations in any case is quite a sizable undertaking, but it is especially so in this case because of the extent of the revision. It should be remembered that it took nearly 1,000 pages just to print the revised code as accepted by Congress. Now, to interpret all that law makes the job of drafting the regulations probably no less an undertaking than the drafting of the law itself.

As a matter of fact, we started on

the regulations at about the same time the drafting of the revision was begun.

Could you tell us what new areas are covered by your instructions and how they may be expected to help the businessman?

MR. ANDREWS: There are, I would say, six major new changes in the instructions which are of direct concern to businessmen. I would like to mention them all briefly and go into each in a little more detail.

The new instructions deal with prepaid income, estimated expenses, income from rents, charitable contributions, organizational expenses and net operating loss deductions.

Prepaid income is that received in a transaction in which the taxpayer assumes a liability extending beyond the end of the taxable year. The liability may include a requirement to continue certain services, to furnish goods or other property, or allow use of property.

A taxpayer receiving this type of income may elect to spread it in proper annual proportions over the year he received it and for not more than five taxable years following, if the liability continues that long. There are some restrictions on this procedure, however. It can be done only when the method of accounting used in the trade or business—from which the income is derived—is other than the cash receipts and disbursements method. If the taxpayer elects to defer payments he will have to make a statement showing his accounting method, the nature of each item of prepaid income, the period over which the liability extends, the amount of income to be taken into account now and in each future taxable year and the method of allocating to taxable years.

Estimated expenses are those which normally would be taken into account in some subsequent taxable year but which will, when they are incurred, be attributable to income received in the present taxable year, and which can be estimated with reasonable accuracy.

A taxpayer having estimated expenses may elect to take into account, in figuring his taxable income, a reasonable addition to his reserve for these estimated expenses.

However, here again, if the taxpayer wants to deduct additions to reserve for estimated expenses, he can do so only if he doesn't use the cash method of accounting. In addition, he must file a statement showing what accounting method he uses, the nature of the estimated expenses, whether the expense is on account of a guaranty or warranty contract and the time these contracts extend, and

a detailed schedule showing the manner in which the estimated expense with respect to the taxable year was computed.

There's a new rule in connection with rental income: In the case of a lease entered into before January 1 of this year, if both lessor and lessee are corporations and the lessee is obligated to pay any part of the lessor's income tax on the rental payment, this tax is excluded from the lessor's gross income and cannot be deducted by the lessee.

The new law liberalizes the section dealing with charitable deductions, too, both to assist the corporation donor and the charity. Our new rule is that any contributions paid by a corporation during the taxable year in excess of the amount deductible may be carried over and be deducted in the two following taxable years. That's subject, of course, to the five per cent limitation provided by law. In other words, if a corporation feels extra generous, it can give, say, ten per cent of its net income to charity and deduct the excess five per cent over a two-year period to the extent that donations in subsequent years do not equal five per cent.

As it has been, any donations in excess of five per cent couldn't be carried over.

A corporation may elect to amortize expenditures incident to the creation of a corporation over a period of not less than 60 months, beginning with the month in which the corporation begins business. These expenses must be chargeable to the capital account and, if the business is going to be one with a limited life, must be amortizable over that restricted period. In order to amortize these expenditures, corporations will have to file a statement listing the type and the amount of expenditures and the number of months over which they are to be deducted.

Once this period has been established it can't be changed.

Net operating loss deductions are a little more complicated, but what the new law does in effect, is relax requirements for loss adjustments so that they may be carried back two years instead of one, and carried forward five years, as heretofore. The new law, I would say, represents a switch from the theory of economic loss to the theory of a definite tax loss. The lengthened carry-back, in effect, seeks to eliminate differences in tax treatment of businesses which tend to be stable from season to season and year to year and those which are likely to fluctuate to a considerable degree because of seasonal or other factors. It tends to even out the peaks and valleys for tax pur-

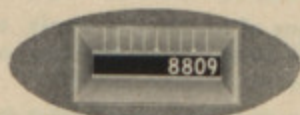


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Do you think it might be of value to mention briefly some of the other alterations of the tax code with which future instructions and regulations may be concerned? Sort of a refresher for businessmen, you might say?

MR. ANDREWS: I think it would be of great value, principally because many of the changes are complex and need fairly constant attention. Another thing: Taxpayers are likely to look over new provisions, talk about them for a few days and then forget them. Since the new law isn't going to affect the ordinary businessman much until next year, I think this is a good time to freshen his memory a bit.

If you're in a partnership, for example, you might save yourself some money by filing your return as a corporation. There are limitations on this new feature of the law, as there are on others. The new law also eases up on unreasonable surplus provisions. In fact, the first \$60,000 of surplus is free from any possibility of a penalty tax.

Corporations that owe more than \$100,000 in taxes in any one year will have to step up their payments. It's a sort of pay-as-you-go system in which, by 1959, half of a current year's taxes will be due in the final six months of the year and the balance during the first half of the following year.

Depletion allowances have been raised on a number of minerals, including antimony, bauxite, lead, nickel, tin, uranium and some others. Deduction of losses from theft or embezzlement can be taken in the year they're discovered instead of the year they occurred. Under the old system a company which didn't discover such a loss for three years or more found the statute of limitations had run out and it couldn't deduct a penny. Farmers get a boost, too—and through them, it's hoped many local rural communities may indirectly share in the farmers' benefits. They may now charge off cost of soil and water conservation up to 25 per cent of their gross income in one year, while any excess over 25 per cent may be carried over.

Under the new code, no tax is owed on pay received while you're ill up to the first \$100 a week after a seven-day waiting period. Even the seven-day period is waived if you are hospitalized or out with an injury. This law is retroactive to January 1, 1954, so there are probably a number of workers eligible for refunds. Working mothers, divorced fathers or widowers may deduct up to \$600 a

year for cost of child care if the child is under 12. However, a working wife must file a joint return with her husband in order to receive the deduction.

Can you tell us something about the new regulations which will be issued in accordance with provisions of the tax code?

MR. ANDREWS: Well, I can tell you a few general things about them, but since none of them have been formally approved as Treasury Decisions, there isn't much specific that can be said for possibly another month or more.

We have about 60 income tax regulations in draft form now; all of these will be proposed in tentative form and published in the Federal Register; a 30-day waiting period is then required in order to give interested taxpayers an opportunity to make suggestions or objections.

One proposed regulation deals with temporary income tax rules relating to tax elections and similar matters on which taxpayers needed information before the end of the year. A second is concerned with the extent to which employers are required to withhold income tax on payments to their employees who are absent from work on account of illness or injury—so-called "sick pay"—which under the new code is not taxable to the employee. The third—and longest—deals with depreciation in general and with special rules; this proposed regulation, which at the moment seems to call for considerable ironing out of differences, also includes accounting methods for various systems of depreciation, depreciation for farmers, of patents and copyrights, obsolescence and about 20 other subdivisions.

Regulations of the Service apply, of course, to other forms of taxes as well? Besides income taxes?

MR. ANDREWS: They certainly do. We are drafting regulations for estate and gift tax legislation, employment taxes, excise taxes, alcohol and tobacco taxes, and this year we are assembling under one heading all regulations pertaining to procedure and administration.

I would like to explain the last category a little further because it is entirely new in the form we have adopted. In past years, administrative regulations were scattered everywhere. You really had to be a 30-year man here even to know where to look for some of the rules that had been accumulating ever since we've had tax laws on the books. Now they've all been gathered into one place—under Subtitle F of the Code, to be exact—and it is our hope that

this important bit of codification is going to be beneficial to the taxpayers as a whole.

Administrative regulations are of vital importance because they are directly involved in the mechanics of applying the tax laws and amendments to the laws. They deal, for example, with the type of return a businessman must file—and where and when he must file it; carry information for the businessman as to what signatures or supporting documents he may need for any type of tax; how and when bonds must be posted; what procedures are to be followed in case we have to levy—that is, seize bank accounts or property—in payment of tax delinquencies; how to file claims, and others.

Is there any particular approach or attitude being taken in preparing these regulations?

MR. ANDREWS: There certainly is. Congress went to a lot of work in the new code to provide as many practical answers as possible for the guidance of taxpayers. We have adopted the same approach in preparing the regulations under the code and are doing everything we can to carry out the intent of Congress in enacting this new law.

How do you work out these regulations, Mr. Andrews? In other words, who works on them, how are decisions reached, and to what extent does the public participate in the procedure?

MR. ANDREWS: Well, I suppose you might say everybody works on them. Whenever such an extensive revision of the code is made—and this is the most extensive ever made—there must be thorough-going reinterpretation and specific definitions in the interest of the best service to the public.

We have technical and legal staffs whose members work up tentative proposals for new regulations. The Internal Revenue people at the same time work closely with the legislation staff at the Under Secretary's office. The over-all job takes months of writing, rewriting, editing and conferring until we've reached the best meeting of minds we can. Then, the results are published in the Federal Register under the Administrative Procedure Act in the form of a proposal for new regulations.

After this publication, there is a 30-day period in which any interested party can file his or her objections or suggestions with regard to the proposal. These statements must be submitted in writing in duplicate to the Commissioner of Internal Revenue.

Even before the tentative regula-

tions are published, any taxpayer may send us in writing any suggestions as to matters to be covered in the new regulations. In the August 16, 1954, Internal Revenue *Bulletin* we published a list of the various income tax regulations we proposed to issue, and invited the public to send us suggestions concerning them.

I think it's very important to stress the fact that the public can petition at any time for a change in the regulations. Even if no objections are heard during the 30-day waiting period, an interested taxpayer or group of taxpayers still may petition for a change, no matter how many years the regulation they want to change may have been in effect.

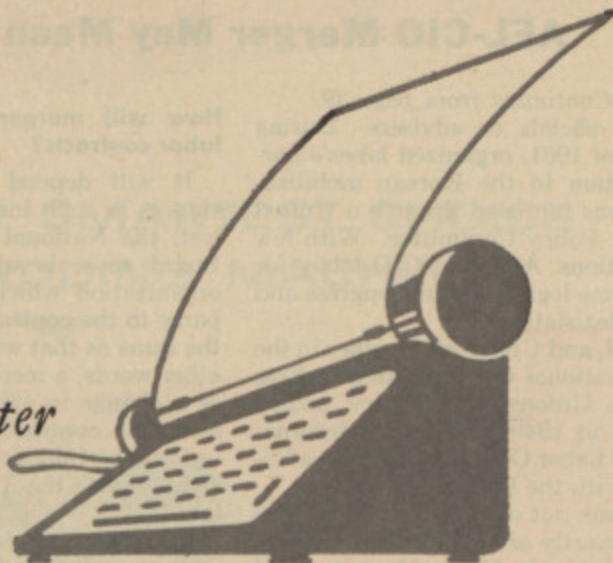
After the 30-day period, public hearings may be scheduled, the suggestions sent us are considered and, frequently, changes made in accordance with these suggestions. Final revisions then are made and the final results are published again in the Federal Register as regulations prescribed by the Commissioner with the approval of the Secretary of the Treasury. These regulations then become known to us as Treasury Decisions and constitute the legal interpretation of the tax laws until they are superseded, or declared invalid by a court of law.

Commissioner, is there anything you would like to say generally about the relationship of the job of rewriting the regulations and the success of the government's Internal Revenue activities?

MR. ANDREWS: Yes, there is. The success of our Revenue system does not depend so much upon the job of drafting regulations and forms as it does upon whether we manage the Revenue Service in a manner that will command full cooperation on the part of the public. This has become an extremely complex economic world and our tax system is, up to now at least, unavoidably a part of the complexity. Moreover, the level of taxation is high and the burden is great—and yet our tax system is almost completely dependent upon the extent to which the people of the country cooperate with the tax authorities to make it work.

Whether this system continues to be successful is not, of course, going to depend entirely upon the people. It also is going to depend upon how we of the Internal Revenue Service do our job of collecting the nation's revenues. I want your readers to know that we of the Revenue Service will do everything we can to justify the cooperation of the people. I am confident we will continue to get that cooperation so long as we do our part. **END**

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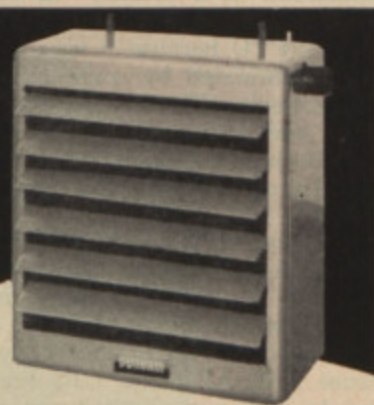
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AFL-CIO Merger May Mean . . .

(Continued from page 39)

ment officials or advisers. During most of 1951, organized labor's participation in the Korean mobilization was funneled through a United Labor Policy Committee. With few exceptions, AFL and CIO lobby for the same legislation in Congress and state legislatures.

AFL and CIO work together in the International Confederation of Free Trade Unions, which they helped found in 1949, and in the International Labor Organization, now affiliated with the United Nations.

It was not always that way. The CIO shortly after the war refused to participate in ILO unless it could share equal status with the AFL official whom the White House had designated as the United States labor delegate; today it accepts a status of adviser to the AFL-man delegate, although it does have full status on certain ILO industrial committees.

Also, right after the war, the CIO was instrumental in organizing the World Federation of Trade Unions as a successor to the International Federation of Trade Unions, which recognized only the dominant labor organization in a country—in our country the AFL. The AFL refused to join WFTU because it was, and still is, dominated by communists. Later, however, CIO also abandoned WFTU and joined with AFL and free trade unions in other countries five years ago to form the present ICFTU.

Internally, AFL and CIO have come to look more and more alike. The issue of craft vs. industrial unionism, which caused the split, is not so controversial or vital today because both AFL and CIO have come to live with both types of unionism under their roof.

AFL—the home of craft unionism, in which a union usually represents workers in a specific and usually highly skilled trade, regardless of industry—has some fairly substantial industrial union affiliates.

CIO — champion of industrial unionism, in which a union seeks to represent all employees in a plant or industry—has some craft unions in its family.

And many unions in both AFL and CIO are themselves a mixture of craft and industrial unionism, representing some craftsmen and some mixed groups of workers.

The most significant development indicating how the AFL and CIO have drawn closer together is the no-raiding agreement.

How will merger affect existing labor contracts?

It will depend on the circumstances in each instance. The basic test, the National Labor Relations Board says, is whether the labor organization which claims to be a party to the contract after merger is the same as that which signed it. In other words, a mere change in name or a change in affiliation would not alter the contract situation or the union's certification for bargaining rights under the Taft-Hartley labor law.

Usually, after a straight switch in affiliation the union will petition NLRB for alteration of its certification. If there is no question that the union in the plant or business has actually switched affiliation to the new group, that the shift was consistent with the established rules of the union, and that the new affiliation reflects the wishes of the employees, the NLRB will ordinarily change the certification to conform to the new affiliation.

However, if NLRB finds serious doubt that there has in fact been a switch, it will not alter the certification and may entertain a request for a poll to determine whom the employees want to represent them. This might happen where there is a split within the union over shifting affiliation. If an employer has some doubt over which group to recognize, he may file a petition himself.

In the end, and under the law, the employees decide who will represent them. A private arrangement between union officials cannot abridge this right, although a union cannot, of course, be forced to represent employees it does not want to.

Does that also apply to the AFL-CIO No-Raiding Agreement?

Yes. Whenever NLRB receives a petition for certification of a bargaining agent, it must determine the desire of the employees involved. This was illustrated in a recent instance involving the no-raiding pact.

Employees in a meatpacking plant wanted to shift from CIO to AFL. CIO officials resorted to the no-raiding agreement in an attempt to prevent it.

They got a decision from umpire David L. Cole that the CIO local could not switch to AFL. The employees, however, expressing their choice in an NLRB election under the Taft-Hartley law, voted for the AFL union. Accordingly, NLRB

certified the AFL union as bargaining agent for these employees.

What good, then, is the no-raiding agreement?

The agreement reduces interunion conflict because participating AFL and CIO unions are pledged not to solicit each other's members and also not to accept another's members who switch voluntarily. In the case just described, the national AFL union would be expected to deny a charter of affiliation to the switching group. This national AFL union seems satisfied, however, that for technical reasons this situation was not covered by the agreement and is accepting the former CIO group.

To avoid more head-on clashes between decisions of NLRB and the impartial umpire, the AFL and CIO are trying to work out with NLRB an arrangement wherein NLRB will delay certification of unions in this kind of situation while AFL and CIO try to straighten things out.

Are all AFL and CIO unions parties to the no-raiding pact?

Most of them are. The agreement, running from last June 9 until the end of 1955, covers only those unions which have signed it—29 of the 34 CIO unions and 74 of the 110 AFL unions. Those that have not—like the AFL teamsters and printers and CIO steel workers, brewery workers, newspaper guild and shipyard employees—are still free to raid any union and are vulnerable themselves to raids by other unions.

What would the raiding situation be after merger?

Probably the same as it is today under the no-raiding agreement and the internal AFL and CIO plans for handling jurisdictional disputes—all voluntary setups. There will likely be machinery for preventing raids and settling jurisdictional questions available to those unions which voluntarily agree to use the machinery, and most of them will.

Of real significance is the willingness of unions today to settle their internal differences through peaceful machinery and even put the decision in the hands of an umpire—a so-called "outsider"—when they can't settle their disagreements internally.

How much raiding went on before?

During three years—1951 through 1953—the AFL filed 790 petitions seeking to represent 213,000 employees already under CIO contract. The CIO, in turn, filed 936 petitions trying to take over 357,000 employees working under AFL agreements.

Each was successful in slightly less than one third of the petitions

filed, meaning that in two out of three cases the employees refused to change affiliation.

Of those that did switch, about 44,000 switched to AFL and 40,000 shifted to CIO, giving the AFL a net gain of 4,000—only about seven tenths of one per cent of the 570,000 employees involved in the contests.

Rivalry within the AFL was even more intense. During the same three years, AFL unions filed 1,025 petitions against other AFL unions—335 more than they filed against the CIO. The petitions failed in three out of ten cases, and only 17,500 of the 84,200 employees that were involved switched unions.

Hasn't this raiding been costly?

The AFL estimates that it has cost as much as \$40 per member to defend against a raid. Taking a minimum figure of \$10, Mr. Meany figures that AFL and CIO affiliates together spent a total of more than \$11,400,000 during 1951-53 in vying for the 570,000 employees already working under AFL or CIO contract.

Computing the cost on the basis of the AFL's net gain of about 4,000 members, it comes to about \$2,800 per member, Mr. Meany points out.

This high cost—and further evidence that within the AFL the aggressor unions doing the most raiding are the same unions most often compelled to defend against raids by other unions—will be important in encouraging unions to minimize their interunion rivalry for members.

How will the merger affect organizing?

CIO and AFL officials look for their combined membership to shoot upward far beyond the present combined total.

For one thing, they figure the millions of dollars, the valuable time and the experienced personnel that they feel have been wasted trying to take members from each other can now be concentrated on signing up the unorganized workers.

They also expect to woo more employees to unionism by reducing the attacks on each other, particularly those aired in organizing drives which cause employees to shun both unions; by concentrating their attack on the employer instead of dividing it between the employer and another union, and by presenting a better picture of unionism generally and thus gaining more acceptance among employees on the fence.

What will be some of the targets for organization?

Most organization will be attempted where there isn't much now, and where new industries are grow-

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ing. Most vulnerable on both scores will be the southern states.

The CIO went into the South on a big scale right after World War II, launching "Operation Dixie" with great fanfare. For years it assessed its members two cents a month to carry on the southern drive. The AFL joined the battle, making it a four-way contest of AFL, CIO, employees and employers. Despite the hullabaloo and the high potential of union membership available, the drive has not been very fruitful.

AFL and CIO leaders also have their eyes on particular classifications of workers with whom little progress has been made. Topping the list are the retail, clerical, professional and government employees—the white-collar group.

Industries figured to be major targets of stepped-up union organization are chemicals, textiles and others with large numbers of non-union employees.

What individual unions are likely to merge in the new setup?

The no-raiding agreement provides that no union will be forced to merge or be absorbed by any other union. Smaller CIO unions insist on this protection. However, some mergers will likely come about voluntarily.

Mergers would be natural in industries where two unions have identical jurisdiction. Examples: CIO and AFL unions in meatpacking, chemical, textile, shoe and paper industries and in government.

There will be some problems where unions exercise jurisdiction in several industries, some of which overlap. In these cases there may be some parceling out and shuffling of jurisdiction rather than mergers.

Who will head the merged organization?

Mr. Meany, most likely. Mr. Meany and William F. Schnitzler, AFL secretary-treasurer, are full-time, paid officials of the AFL, drawing salaries of \$35,000 and \$33,000, respectively. They would have no other jobs to fall back on if removed.

On the other hand, Mr. Reuther and James B. Carey, CIO secretary-treasurer, are full-time, \$18,000-a-year presidents of their respective unions, the auto workers and electrical workers. Loss of their CIO posts would not affect their salaries or positions in their unions.

The AFL, the larger and older group, will insist that the AFL practice of having full-time officials be retained.

Wouldn't Mr. Reuther lose prestige?

While he would be giving up the

CIO presidency, Mr. Reuther would likely serve in some capacity like "political director" in the new setup. This would still give him a national platform from which to expound his views while continuing as leader of the 1,300,000 member Auto Workers Union.

What about Mr. Beck and the teamsters?

Mr. Beck and the teamsters are not going along with the no-raiding agreement, just as they are not cooperating in the AFL Internal Disputes Plan.

The teamsters have claims on many small groups of employees, now in other unions, which they insist should rightfully be in the teamsters. Mr. Beck does not want to "freeze" them in the other unions. Mr. Beck will not voluntarily pull the teamsters out of the AFL or the merged organization. The teamsters touch practically every industry and thus come in contact at some point with almost all other unions, so it is to the teamsters' advantage to have friendly relations with other unions.

Nor will the teamsters likely be expelled from the merged organization. The per capita tax on its 1,300,000 members will not be brushed aside lightly.

Will another rival labor organization be formed?

No. Mr. Beck, David J. McDonald, president of the CIO steel workers, and Mr. Lewis have an informal alliance, which is held together largely by mutual resentment against Mr. Meany and Mr. Reuther. But there is no thought of turning it into a rival federation. You can expect, however, that Mr. Beck will make power alliances within the new organization with Mr. McDonald and others.

Will merger increase the possibility of a third political party?

Not within the foreseeable future. More likely, organized labor will become a greater force in the Democratic Party. Labor politicians realize that a third party would be a minority party. They appreciate the benefits derived from being on the winning side of an election when they can.

Is there any issue that might still block merger?

The CIO still wants the merged organization to have an industrial union department, in which the CIO unions especially could work closely together. Merger talks in other years broke down on such a demand.

At the beginning the CIO wanted to be taken back into the AFL as a

body and to maintain a distinct and autonomous identity within the AFL, even to the extent of not paying any per capita tax to AFL and not being subject to its authority. AFL leaders at that time refused to recognize the CIO unions as a group, insisting that they "come back to the House of Labor" as individual unions with no CIO identity. Both sides have since compromised these positions considerably, but it remains to be seen whether they will come to a complete agreement.

What attempts were made in the past to heal the split?

Unity talks began as early as January, 1936, after Mr. Lewis had formed a "Committee for Industrial Organization" composed of eight AFL unions, and before the unions were suspended from AFL in 1936 and later expelled. The Wagner Act had become law in 1935 and Mr. Lewis wanted the AFL to issue industrial union charters to facilitate unionization of the mass production industries, particularly steel and automobiles. But the AFL refused at the historic Atlantic City convention of 1935 at which Mr. Lewis knocked down Mr. Hutcheson in a floor tussle over the issue.

Merger attempts failed in 1937, after preliminary agreement, the CIO insisting on being recognized as an autonomous group in AFL and the latter rejecting this as a continuation of "dual unionism."

Early in 1939, after the Committee for Industrial Organization formally had become the present Congress of Industrial Organizations, President Roosevelt brought CIO and AFL leaders together for peace discussions at the White House. These broke down with charges and countercharges as to who was at fault, Mr. Lewis making the drastic proposal that both AFL and CIO be dissolved and that a brand new federation be formed.

Merger talks warmed up again in May, 1947, when the union officials got together primarily to fight passage of the Taft-Hartley law. This time Mr. Lewis was back in the AFL and sitting on the other side of the table. The conference again failed to achieve unity.

Discussions were resumed in 1950, after shooting began in Korea. Mr. Lewis was then, as now, in neither AFL nor CIO. Even though there had been some dispute over whether Mr. Lewis should be included in the merger discussions, the committees reached seeming agreement in the absence of Mr. Murray, who was ill. By the time he got well the "agreement" had evaporated.

Current discussions began early

last year after Mr. Meany and Mr. Reuther assumed leadership of their respective organizations.

What remains to be done?

A six-man subcommittee of the full 20-man AFL-CIO joint committee must, 1, draft a proposed constitution for the contemplated new federation; 2, suggest how the AFL and CIO staffs and city and state organizations should be fused, and, 3, work out new machinery for settling jurisdictional questions after merger.

Conclusions reached by the full committee will then go before separate conventions of the AFL and CIO, probably next fall, for final approval. If this approval is forthcoming, the final step will be a joint convention.

Merger might be accomplished before next fall if the committee makes unusually fast progress. Or it might be delayed into 1956—or even blow up again—if differences now seemingly being solved become insolvable or some other unforeseen obstacle to merger arises.

Will merger increase the chances of bringing unions under antitrust laws?

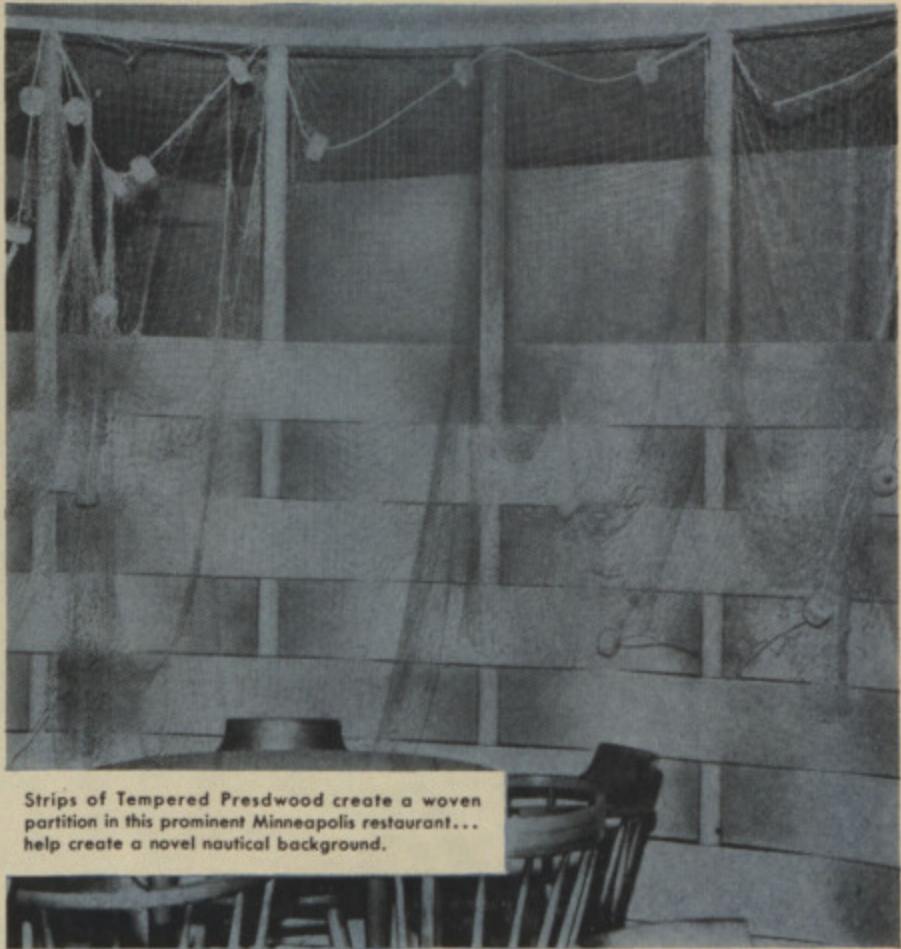
Efforts to bring unions within the scope of the antitrust laws no doubt will be stepped up. How successful they are, however, will depend largely on how the unions use their power and not on how big the merged labor organization may be.

Interest in antitrust legislation stems from the fact that many unions exercise their power beyond the normal scope of bargaining over wages, hours and working conditions and engage in secondary boycott and other tactics to restrain trade contrary to the public interest. These include limitations on production, price fixing, control of markets and refusal to handle certain kinds of materials, certain prefabricated articles and goods produced or handled by a rival union.

If these tactics are extended and increased in intensity—or even continue as now—an aroused public opinion may very likely force some legislative restraints on the abuse of union power.

However, it is conceivable that some of the secondary boycott activity might be diminished as a result of merger and disappearance of the CIO as an AFL rival. Much of the secondary boycott problem stems from AFL unions refusing to handle goods made by employees in CIO, although there are notable instances of secondary boycotts involving unions entirely within the AFL and even within the same international union.

END



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Focal point of unsettling differences between the Arab states and Israel is Jerusalem.

العالم العربي

THE ARAB WORLD

land of our
unsold friends

BY DAN KURZMAN

THE Arab world, heartland of the oil-rich, Suez-straddling Middle East, would undoubtedly be a primary Soviet military objective in a new global war. Yet, it is one of the most defenseless regions in the non-communist orbit today. This is due principally not to a lack of arms or big armies, but to the fact that it is a backward, feudal area whose people can't get excited over a Red danger they don't understand—but who do understand a colonialism once imposed on them by those who worry most about Red danger.

Most Arabs have gradually awakened in the past decade to the fact that a decent life is the inherent right of every man. But politically unstable landlord rulers have shrewdly diverted their rebellion against injustice into fanatically anti-West and anti-Israel nationalistic channels.

Thus, the average peasant, or fellah (who represents about 80 per cent of the Arabs), has only just begun to resist the medieval economic and social system which forces him to pay his absentee landlord up to 80 per cent of his meager earnings, deprives him of his own land when great stretches of desert could be irrigated for his use by untapped rivers, assigns him a crumbling mud hut while his masters dwell in glittering palaces, and grants him little or no benefit from the oil that helps to pay for these superluxuries.

Feudal poverty, of course, also exists in other regions, notably in Southeast Asia. But in most of these places today, suffering is tempered with a growing confidence in the future. Honest, modern-minded, politically stable rulers are leading their peoples along newly cleared paths of reform. Few such paths are being hacked through the Arab feudal wilderness.



GEORGE RODGER—MAGNUM

There Arab Legionnaires from Jordan guard the common Israel-Jordan frontier

And yet only reform can insure social calm and political stability, and do away with unreasonable hostility toward the West, which would no longer be used as a scapegoat by tottering, unpopular governments.

Actually, there are hopeful signs in some of the Arab countries. Among the most encouraging are to be found in Egypt, leader of the Arab League, a loosely organized association of Arab states. Progress is also being registered to a small degree in Lebanon and Iraq. On the other hand, there has been little or no recent headway in Syria, Jordan, or Saudi Arabia.

Under these circumstances, the West could hardly set up a NATO-type Middle East military command. The only strong, modern, reliably pro-West countries in the area are non-Arab: Turkey, which already belongs to NATO and has a defense agreement with Pakistan; and Israel, which could only be brought into a pact if a Palestine peace were concluded. As for Iran, another non-Arab nation, its leaders are also more staunchly pro-West than most of the Arab rulers and have indicated an interest in joining the Turkish-Pakistani alliance, though they may wait to see how their new oil accord with the West will affect public opinion, until now ultranationalist.

Some Arab states, especially Iraq, which recently signed an arms aid accord with the United States, might eventually join the bilateral treaty, too, it being only a loose, informal arrangement that could benefit them militarily. But a build-up of Arab armies could prove valueless as long as the people themselves haven't their heart in the defense effort.

It could aggravate current unstable conditions in the Middle East—to the satisfaction of Russia. Israel,

for example, is jittery lest the arms earmarked for the Arabs—who number 40,000,000 as compared to 1,500,000 Israelis—upset the present regional power balance. Tel Aviv is trying to persuade Washington to call off such arms shipments or, at the least, to grant an equivalent amount of military aid to the Jewish state.

Whatever the justification for Israeli fears, it is clear that, as pro-Arab Pakistani Foreign Minister Zafrullah Khan told me in Karachi some time ago, "No Middle East alliance can be really effective as long as the outstanding differences between the Arab states and Israel remain unsettled."

These "outstanding differences" probably could be settled at the conference table. Israel is pressing for such talks, but the Arab leaders, fearful of public reaction, contend they will not deal directly with Israel unless it agrees in advance to meet Arab demands.

That progress can nevertheless be made toward peace is indicated by the Arab states' cooperation with Israel in harnessing the waters of the River Jordan for joint agricultural development. If this project gets underway, other similar cooperative endeavors may follow.

The most valuable role the West can play in strengthening area defenses is to continue encouraging cooperation among the Middle Eastern nations. The Arabs can't be forced to defend themselves, nor would they make good soldiers as long as they can be spurred to fight only by the negative incentives of frustration and vengeance rather than by the positive will to preserve a way of life worth defending.

On the other hand, by helping to create greater regional stability and higher living standards for all, the

ARAB WORLD

West could lay the foundation on which an effective Middle East defense system might be built.

Here is a summary of the factors and personalities helping to mold the internal and external policies of each of the important Middle Eastern Arab states:

EGYPT:

The youthful military government of 36-year-old Premier Colonel Gamal Abdel Nasser, which kicked out King Farouk in July 1952, represents one of the few bright hopes of reform in the Arab world. It has jailed or banned from public life the corrupt Old Guard parliamentarians and has notified the feudal landlords, who include many of those politicians, that they will have to give up all but 200 acres of their land to the peasants, the state to compensate them for their loss. (More than 90 per cent of the cultivated land has belonged to these few men.)

It is true that a dictatorship exists, but benevolent dictation seems virtually essential if reforms are to be brought about in feudal, illiterate nations such as Egypt. The ruling clique insists that it intends to establish a democracy, but only after the social and economic structure of the country will permit genuine rule by the people.

Mohammed Naguib, ousted as "front man" Premier last March when he supported adherents of an immediate return to parliamentary government, was removed in November from even his figurehead job as president. He was kicked out for the second time in ten months because of charges he was involved in a recent plot to assassinate Nasser.

In the foreign field, the government's realism was clearly reflected in its recent announcement—following Britain's agreement to evacuate the Suez Canal Zone within two years—that it stands solidly with the West in the cold war. It is significant, however, that the declaration added that Egypt would not include

its 60,000 soldiers in a regional defense pact "now," and that the government tried to keep its pro-West views a secret from its own 20,000,000 people, even denying it had issued such a statement.

The reason for this can be found in the fact that the Nasser regime does not feel secure enough to come over openly to the West while anti-British bitterness still lingers. Moreover, Premier Nasser does not command the tremendous personal popularity that Naguib did. The government is particularly worried about the efforts of the Moslem brotherhood and the vengeful civilian politicians to spread revolt.

The danger lies not so much in the possibility of a people's revolution, as in the threat of an army split. The Moslem brotherhood—one of whose members only recently tried to assassinate Nasser—and wealthy politicians have many supporters in the army and some officers are believed to be communists. Egypt's estimated 3,000 Reds, posing as nationalists, also have a foothold among the students, shopkeepers and city workers, and itch to revert to the days of anti-British terrorism.

The government's sense of instability affects not only its relations with the West, but with Israel as well. Nasser has never been strongly anti-Israel, though he was wounded in the Palestine war. If the regime did not fear popular repercussions it probably would seek peace with the Jewish state. It knows that stability on Egypt's borders would facilitate its reform program. And it knows that Russia alone can profit from the continuation of the Palestine conflict.

Efforts have been made to win the friendship of the Egyptian Jews, and it was Egypt that persuaded the other Arab states to agree to cooperate with Israel in developing the Jordan River valley.

But the government often balances such good-will gestures with anti-Israel threats and accusations as a sop to public opinion. It also continues to flaunt the United Nations resolution ordering it to lift its Suez Canal blockade of ships carrying goods to Israel.

But whatever the shortcomings of Egypt's domestic and foreign policies, it is to be hoped that the Nasser



Premier Col. Nasser (right) shown with Mohammed Naguib, recently forced to give up the presidency

Egypt's troops and airplanes paraded (left) as Cairo commemorated the ouster of King Farouk

regime will remain in power for a long time to come. Its fall would probably bring to an end Egypt's chance for moral and material salvation, and perhaps that of the whole Arab world.

IRAQ:

The leaders of this country (Mesopotamia until 1921) are pro-West—as evidenced by their recent signing of an agreement with the United States providing for American arms aid. But it is probably in greater danger of falling victim to communist subversion than any of its Arab neighbors.

One reason is that communist Tudeh party members from bordering Iran find it easy to infiltrate this country disguised as pilgrims to Iraq's Moslem shrines. Another is the discontent of the nation's large non-Arab Kurdish minority, which has long demanded an independent state including the Kurds of Iraq, Turkey, Iran and Russia, or at the least, an autonomous state within Iraq. The Kurds, who make up one fifth of the 5,000,000 Iraqis, remember that the Soviet Union set up a Republic of Kurdistan in northern Iran in 1945 and that the western powers were responsible for its liquidation a year later.

These two factors add enormously to the explosive potentialities of the nation's poverty, which ranks with Egypt's as the most abject in the Arab world. Ironically, Iraq, within whose boundaries tradition places the Biblical Garden of Eden, has the natural resources necessary to recreate such a paradise. Royalties from its British-operated oil industry add up to about \$140,000,000 annually and its network of rivers could irrigate the whole nation.

Some efforts are being made to use oil profits for the public benefit. About \$200,000,000 have been spent since 1951 on irrigation, power, and flood control projects, resettlement programs, village water systems, schools, hospitals, and highways. But these improvements have so far affected only a minute percentage of the people.

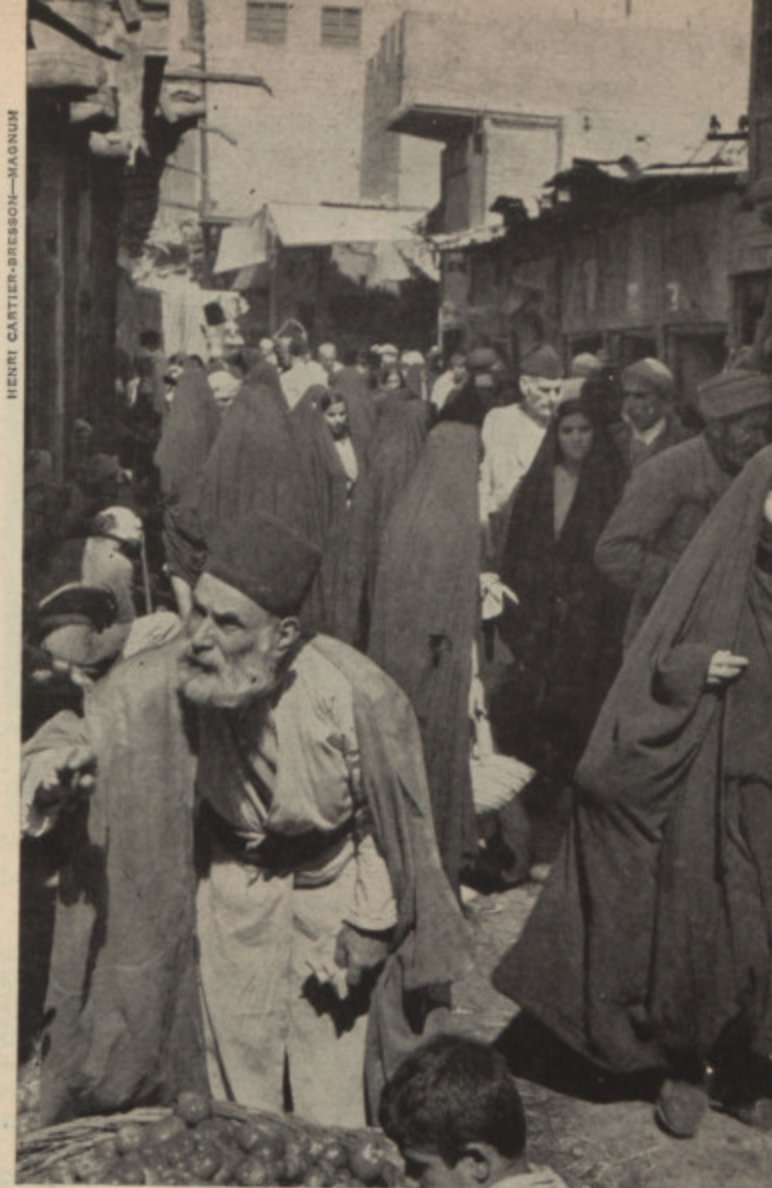
The main reason is that there are no genuine reformers at the government's helm. Premier Nuri as-Asaid Pasha, a shrewd politician, realizes that he must offer token reforms to reduce leftist pressure. But as a wealthy landlord himself, he appears to have no intention of revolutionizing Iraq's feudal structure.

Indeed, some of the development projects now in effect actually work to the disadvantage of the landless peasant. For he must pay rent not only to his landlord, who demands greater payments as his land is improved, but to water-rights and pump owners. Thus lacking incentive, the farmer crops less than half the land fit for cultivation.

In free elections Nuri Pasha might be defeated by the fanatically nationalist and religious opposition parties, which are supported by the communists, but the Premier has candidly admitted that the "public good" requires that he "fix" elections when necessary.

Still, Nuri Pasha is not entirely oblivious to public opinion. His limited reforms are an indication of this. Also, while not as anti-Israel as most Arab leaders, he often plays to the "second round" gallery as a means of winning support. Moreover, he hesitates to buck popular opposition to participation in a western-backed pact immediately, though he has implied that he may link Iraq's 30,000-man army to the Turkish-Pakistani alliance before too long.

The West thus finds itself in the position of having to back a government that is largely unresponsive to popular needs and, by so doing, helping to push the people to the left. The main hope of reversing this leftward trend appears to lie with young, London-educated King Faisal, who has not taken a very active part in



HENRI CARTIER-BRESSON—MAGNUM

Widespread poverty and minority discontent are factors that could help swing Iraq into Red camp

running his country. Popular with his people, whose interests he seems to have in mind, he may be able to force the issue of basic reform. If he proves too weak to do so, elements in the Iraqi army, which strongly support him now, could offer the many discontented communist-infiltrated groups in Iraq the military spearhead they need to force their way into power.

JORDAN:

Jordanians, who usually refer to themselves simply as "Arabs," are probably less nationalistic than the people of any other Arab state. The reason is that Jordan is an artificial creation with no long national history of its own.

It was part of the Syrian province of the Turkish Ottoman Empire until World War I and in 1921 was included in the British Mandate of Palestine, while the rest of Syria became a French protectorate. Later, the country was arbitrarily split away from Palestine under a separate mandate as that part which was not to become the Jewish national home. In 1946, Britain established it as an independent kingdom under the rule of wise King Abdullah. Three years later, after the Palestine War, the nation's boundaries and population status were drastically altered again when Abdullah annexed the Arab sector of Palestine, whose people, having been part of a western, Jewish-controlled economy, were of a much higher economic and social status than the suddenly outnumbered original

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Jordanians. Jordan has a total population of only 1,330,000 and is almost barren of resources and exportable goods. It is hard to conceive how this country could exist without the huge economic support granted it by Britain. British subsidies maintain not only the government, but the army, called the Arab Legion. Commanded by Lieutenant General John Bagot Glubb, a Britisher, the Legion is undoubtedly the most efficient, and certainly the best equipped, of all the Arab armies, though it consists of only about 12,000 men. Britain keeps a small garrison of its own troops at the Red Sea port of Aqaba and the Royal Air Force operates two bases in the country under the Anglo-Jordanian treaty of 1948.

But despite the government's hand-in-hand cooperation with the British, it would be hard to convince most Jordanians that they are allied with the West in the cold war. Anti-West street demonstrations often take place, as do politically inspired condemnations of western policy in the Jordanian parliament. One of

Young King Hussein rules 1,330,000 people in Jordan, cut from British Mandate of Palestine



BLACK STAR

The late King Abdullah, grandfather of Hussein, was assassinated in 1951 following Palestine war



BLACK STAR

the main sources of this bitterness is London's and Washington's fence-straddling position on the Palestine question. Many Jordanians, particularly the Palestine Arabs, favor a more belligerent attitude toward Israel and demand an end to British control of the army so that such a policy could be instituted. And the small nationalist-disguised communist party is taking full advantage of the Israeli issue to encourage anti-West hatred.

On the other hand, there are among the non-Palestinians an important minority who would probably make a "deal" with Israel if they were politically stronger. These are the followers of King Abdullah, who was assassinated in 1951 for having conducted secret peace negotiations with the Israelis. They feel that peace with the Jewish state would permit them to concentrate on working toward a Jordan-dominated federation with either Syria or its sister Hashemite kingdom, Iraq, or both; one of these solutions, they believe, is essential if Jordan is ever to be free of British control. But as a Jordanian guard at the Israeli frontier in Jerusalem told me a few hours after Abdullah was killed: "Now Israel will wait a long time before we ever make peace."

And indeed, members of the present government, now led by Premier Abul Huda, who, with Abdullah, helped work out the 1948 Palestine armistice terms, have no immediate intention of risking the same fate that befell the late King. Moreover, young King Hussein, grandson of Abdullah and cousin of Iraq's King Faisal, wants the popularity that goes with an uncompromising attitude toward Israel and is not likely to follow, immediately in any case, in the footsteps of his dynamic and independent-minded grandfather.

Still, if Egypt, leader of the Arab world, should eventually take the lead in pushing for improved relations with Israel, Jordan may grab at the opportunity to ease its own Palestine policies. Until Jordan-Israeli differences are settled, this nation, while pro-West in name, will for the most part continue directing its hatred not toward the communists but only toward the Israelis and those who help them.

SYRIA:

Few Arabs have a lower political boiling point than the Syrians. There have been five changes of government by violence since 1949 and numerous riots since France granted the nation its independence in 1941 (French troops were withdrawn in 1946). Yet, with the proper guidance, ultranationalist Syria would probably stand a better chance than most Arab nations of developing into a healthy democracy. Although 75 per cent of the land is owned by the big landlords, the inequality between rich and poor is less marked than in any other Arab country except Lebanon. Also, educational standards here are comparatively high.

General Adib Shishekly, who was overthrown last March, might have provided the necessary leadership if he had not been so busy fighting off potential assassins. Like Colonel Nasser of Egypt, he was an honest, though less idealistic, ruler with progressive ideas. But whenever this reluctant dictator ordered a division of large estates among the peasants, he was pressured out of it.

As he told me in Damascus shortly before his overthrow: "It's not easy to change the economic and political morals of a nation."

With Shishekly's fall, there returned to power the same self-seeking landlords who have long ruled most of the Arab world—the men who label their feudal sys-

tems "parliamentary democracy." And reform for the moment is all but out of the question.

Judging from the past, it is not at all certain how long the present regime—led by President Hashem el-Atassi—will remain in office. The army, which holds the balance of power, could and may eliminate the current leaders for their efforts to reduce its influence in politics—just as it turned against Shishekly for showing favoritism toward certain officers.

Whereas Shishekly was moderately pro-West, the present government is far less friendly toward the West, though it might be persuaded by neighboring Iraq to join it in adhering to the Turkish-Pakistani pact eventually. Unlike the ousted dictator, who feared Iraq's strength, the new leaders appear receptive to suggestions that Syria unite with Iraq—largely as a means of neutralizing the army's political power. The pooling of American military aid and of other advantages to be gained from membership in a defense alliance could be a first step in this direction. But the Syrian government, which was backed by the nation's 10,000 or so communists when it came to power, would be among the least dependable members of a pact. One Red was recently elected to parliament, the first such occasion in the Arab world.

Indeed, aside from its flirtation with the communists, Syria, the most anti-Israel of all the Arab states, would be the most likely to use any arms it may receive against the Jewish state.

"The Palestine Arabs are our blood brothers," one Syrian told me. That this sentiment is sincere is indicated by the fact that Syria which included Palestine in the days of Turkish rule, is the only Arab country to make serious attempts to integrate its share of Palestine refugees into its economy. This underpopulated nation of 3,300,000 is not pressed for room. Of 13,000,000 acres believed to be arable, only 5,000,000 are now being tilled. And of this, more than one half lie fallow for lack of labor.

From all this, it appears that Syria may ultimately prove to be the West's most difficult single political problem in the Middle East.

LEBANON:

The most westernized and politically mature of the Arab states, Lebanon, though small in area and population (1,300,000), may in the future be of considerable help in guiding its feudal neighbors toward modernization. The country is not burdened with an important land distribution problem and its literacy rate is about 80 per cent, as compared to an average ten per cent in the other Arab nations. Any visitor to the lively, neon-lit capital city of Beirut finds it difficult to believe at times that he isn't in a Western town.

The strong occidental influence here has its roots not only in the nation's occupation by the French, who left in 1946, but in the fact that a little more than half the population has been Christian rather than Moslem Arab and therefore more interested in strengthening bonds with the Christian West than with the surrounding Moslem world.

Until very recently Lebanon had been a model dual-faith state. It has traditionally been led by a Christian president and a Moslem prime minister. But this balance, which has always been weighted in the Christians' favor, is now threatened by the presence of about 100,000 Moslem Arab Palestine refugees who may provide the Mohammedans with a population majority. The Christians, who dread such a possibility, have been trying to stall off a new census.

The increasing friction between the two religious groups is being aggravated by the Arab League, which wants Lebanon more closely integrated in the Moslem



Syria's Hashem el-Atassi heads a government far less friendly to the West than its predecessor

world. As it is, the Christian-dominated government has only reluctantly, and under great pressure, gone along with some of the League's policies. It realizes that failure to do so might mean drastic Arab economic sanctions against it. Neighboring Syria, for example, could cancel its present trade accord with the country and perhaps even try to take it over politically.

Lebanon, if it weren't for these pressures, would probably have collaborated with the West long ago on defense matters. Moreover, this country has never seen eye to eye with the other Arab states as regards Israel. It was forced into the Palestine war against its will and has been conducting clandestine trade with the Jewish state (via the isle of Cyprus). It is also the only Arab state to let ships bound for Israel pass through its waters. If it had its way, this nation of traders (many are descended from the Phoenicians) would establish peace with Israel without delay so that it could trade openly with the infant state. But it is caught in a dilemma which is nowhere more clearly reflected than in the double-edged attitude of Lebanon's United Nations delegate, Dr. Charles Malik. Though he once voiced the "heresy" that the Arabs and Israelis would have to fight side by side if World War III broke out, he has—under Arab League pressure—been severely castigating Israel in the United Nations Security Council.

If Lebanon is the most western-minded of the Arab states, it is also believed to be the headquarters of the Arab world's communist movement. Reds number about 7,000 here and their relatively strong position is due largely to the fact that Lebanon, while enjoying higher living and educational standards than the other Arab countries, is more aware of its poverty than are the latter, precisely because of its more advanced stage of development.

Under the enlightened leadership of pro-West President Camille Chamoun, the government is gradually putting through electoral, judiciary, civil service and other reforms that may eventually reduce the communist influence. Certainly it will not be easy bolstering the economy of this poor, nonagrarian nation, which must import 85 per cent of its needs and pay for these

ARAB WORLD

necessities from such irregular sources of income as tourism, opium trade, gambling, and gifts from Lebanese living overseas. The one most obvious solution—union with other Arab states—is probably impossible because of the bitter opposition of the Christians.

Nevertheless, Lebanon's high degree of political maturity, as reflected in the fact that leaders here are never changed by coup d'état or revolution, but always according to due constitutional procedure, promises to overcome all threats to its West-guided program of progress.

SAUDI ARABIA:

This country fits more accurately than any other major Arab state the romanticized story-book picture of Arab life. This is the land of the endless desert, of the wandering, camel-mounted Bedouin, of the fantastically wealthy sheik or prince who lives in a jeweled castle with a harem of beautiful veiled women. It is a country that has not yet assumed even the outer garments of the Twentieth Century.

All-powerful King Saud runs the country more as a patronizing tribal chieftain than as the leader of a present-day state. This also was true of his fabulous father, the late King Ibn Saud, who, however medieval in his ways, must be credited with having established peace and security in a land that had never before known these blessings.

Actually there is little reason why Saudi Arabia should be living in the distant past as it is today. For this is one of the great oil-producing nations of the



Dr. Charles Malik, the delegate from Lebanon to the United Nations, is a sharp critic of Israel

world. American oil companies here share oil profits 50-50 with the government, the whole income of which is technically the personal property of the King. This revenue, however, is regarded as in trust with him for use in the interests of his subjects. But much of it is squandered.

Corruption, which is usually practiced on a clandestine basis in the other Arab countries, is generally accepted here as a normal and deserved privilege of the ruling groups. Most functionaries are recruited not for their ability, but because they are members or friends of the royal family, thus creating a situation whereby internal loyalty is usually greater than loyalty to the state.

Paradoxically, the primitive leaders of this nation are more closely allied with the modern-minded chiefs of Egypt than with the other feudalists of the Arab world. Indeed, the two countries have agreed to unite their armies (Saudi Arabia has about 5,000 primitive warriors) and to coordinate their foreign policies. The reason for this is a common fear of the Hashemite powers of Iraq and Jordan. The Hashemites once controlled all of Saudi Arabia, before Ibn Saud won it from them in tribal warfare.

Thus, Saudi Arabia is afraid that if the two Hashemite states should unite, and perhaps absorb or work in partnership with Syria and Lebanon, its security would be gravely threatened. Egypt, on the other hand, also strongly opposes the union of any of these Arab nations for fear that such a superstate would challenge its present domination of the Arab League. So the leaders of Egypt and Saudi Arabia, though centuries apart in their thinking, closely support each other.

As a result, Saudi Arabia's foreign policy can be expected to parallel Egypt's. For instance, while King Saud recently said—in an apparent attempt to impress other Arab leaders with his all-out support of Arab League policies—that the destruction of Israel was worth 10,000,000 Arab lives, Saudi Arabia has never really felt very strongly about Palestine and would probably follow Cairo's lead on this question.

It can also be considered like Egypt, pro-West, though the present Monarch who has some anti-West advisers, is less friendly toward the occidental world than was his father. It is likely to keep out of any Middle East defense alliance until Egypt is ready to join one. Actually, Saudi Arabia is not very worried about its security position. It figures that the United States, with its vast oil interests here, would never abandon it to the communists, pact or no pact.

END



Job Enlargement Boosts Production

(Continued from page 37)

duces the nurses' work load per patient."

In giving the employe more responsibility, job enlargement changes his relationship with the boss. Perhaps it's more accurate to say it changes the boss. Instead of policing his employes to see that they turn in "a fair day's work for a fair day's pay," his job is rather to coordinate their efforts, consult them on decisions involving their jobs, and generally act as a team leader rather than as a taskmaster.

In the past few years the Navy has provided funds for an intensive, long-range work-motivation study by the University of Michigan's Institute of Social Research. Under Institute director Dr. Rensis Likert, about 100 researchers have studied all levels of management under actual operation in many kinds of business and industrial enterprises. All the findings show that under



"participative" management workers produce much more than under "authoritative" management.

Here's how Dr. Likert defines the work concept which has emerged from this research; it could serve as the articles of faith for job enlargement:

"When the worker feels his boss sees him only as an instrument of production, he is likely to be a poor producer. When he feels his boss is genuinely interested in him, his problems, his future and his well-being, he is more likely to be a high producer. Every human being earnestly seeks a secure, friendly and supportive relationship and one that gives him a sense of personal worth in the face-to-face groups most important to him—his family group and his work group. Either we successfully establish these friendly and supportive relationships or we crack up. To say that people seek them doesn't mean they seek to be coddled. Quite the contrary. People seek to achieve a sense of importance from doing difficult but important tasks which help to implement goals which they and their friends seek."

END

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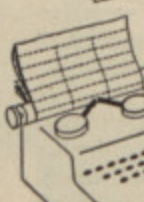
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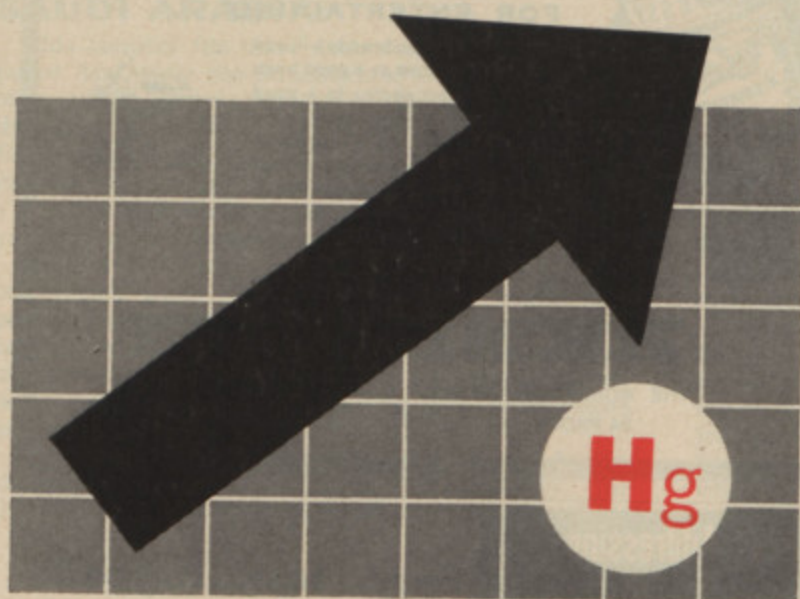
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MYSTERIOUS MERCURY DEMAND BOOMS PRODUCTION



By FLETCHER FLOYD ISBELL

ONE OF the metals that has intrigued mankind since ancient times has become a business mystery of the atomic age.

At the end of World War II the bottom dropped out of the market price for quicksilver, that odd metal which is fluid at ordinary temperatures. Quotations slowly recovered and were fairly stable throughout the three years preceding 1954. Then not long ago a series of developments began hitting world quicksilver circles like thunderclaps.

The results have been a scramble for commercial supplies, a spectacular price rise to levels never before attained in the history of the metal, which is no chemical Johnny-come-lately but among that select group of ten elements known before the time of Christ; and a boom in quicksilver mining.

Quicksilver, or mercury, is bottled and sold the world around in standard 76-pound screwplug iron or steel flasks, each somewhat larger than a quart milk bottle. In early 1954 the

New York market was dawdling along at \$188 a flask. In 1950, the figure had been as low as \$50. The \$188 price had stood almost unchanged for about three years and was considered high by industrial consumers, who were limiting purchases to immediate requirements.

Gradually users and brokers became aware that spot lots were becoming more difficult to locate. The United States gets the bulk of its quicksilver from the great mines of Italy and Spain, and offerings from these sources appeared to be drying up. The price went to \$200 in March. There was talk that the New York dock strike was to blame. Others thought that perhaps the General Services Administration was resuming its buying of European quicksilver with counterpart funds or by barter of wheat surpluses. It had done so four years previously, as part of the general stockpiling program being carried on by its Emergency Procurement Service. Import figures showed the GSA apparently

had bought 84,614 flasks in 1949 and 1950 and stored them away against a wartime need in one or more of its 318 hidden locations, but purchasing obviously stopped in 1951. That year the country used 4,629 more flasks than it imported.

As the price rose to \$220, the statistics on 1953 were released by the Bureau of Mines, where Helena M. Meyer and Gertrude N. Greenspoon kept watch on the industry. The figures sent the trade back to take a more critical look at the 1952 facts. In 1952, domestic production and imports were 81,233 flasks against consumption of 42,556, meaning that 38,677 flasks arrived in the United States that year, but were now missing. For 1953 the figures were 100,121 against 52,259, showing that 47,862 flasks were unaccounted for. The trade belatedly realized that a total of 86,539 flasks of mercury—as much as the United States normally uses in two good commercial years—had come into the country and simply disappeared!

Quickly the word ran from the world sales centers of New York and London to Spain, Italy, and other mines in Yugoslavia and California that there was something in the wind. The precise facts were as elusive as spilled drops of mercury, but quicksilver men picked up a creditable report. A new use of some kind, they heard, had been found for their metal in the production of atomic energy, and that use would require large quantities.

The report hit the marketplace with hard impact. Offerings dried up. The Atomic Energy Commission refused to say anything at all, but in May an Office of Defense Mobilization official did admit that quicksilver was being procured "for an immediate defense need." The price soared to \$248. About this same time the Bureau of Mines said in a regular quarterly summary: "Mercury was reported to be used in one of four experiments conducted for the purpose of appraising the prospect for private industrial participation in joint production of electric energy and fissionable material from reactors."

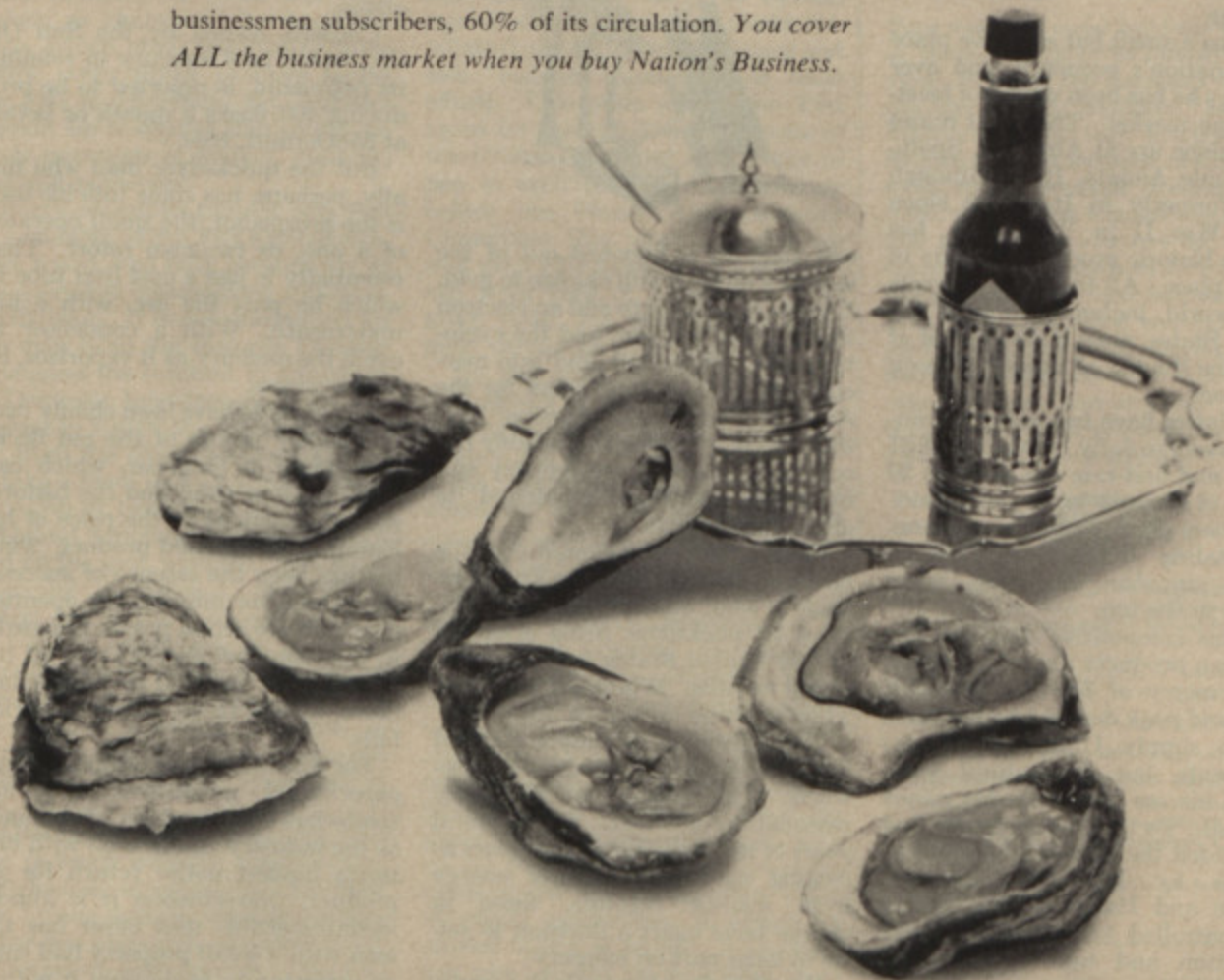
Then in fast succession came three more bullish developments: announcement of reinstatement of the metal on the list of strategic minerals eligible for Defense Minerals Exploration Administration loans; a virtual ban on export shipments by the Bureau of Foreign Commerce; and a three-year guaranteed price of \$225 (or until 200,000 flasks are bought) for domestic and Mexican producers by the General Services Administration.

The market went up, up, up—to



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\$275 in June, \$286 in July, \$295 in August, \$301 in September, until in October it burst through the roof and hung at \$331. That price was an all-time record surpassing even the few scattered sales in 1916 to German agents who, scouring the market just before the United States entered World War I, are said to have paid \$316. At the same time the high ratio of imports over consumption was shown to be continuing.

The phenomenal situation has had profound effect on two divisions of private enterprise. One consists of manufacturers who need the metal in their commercial operations where its uses are many and varied. Quicksilver is the salt in the diet of American industry. A small quantity is usually enough, but that quantity is imperative for precision instruments, drugs, insecticides, chlorine and caustic soda plants, and perhaps a hundred other needs. These industrial consumers, having bought hand-to-mouth when supplies were ample, now find themselves caught very short. "Where's all the quicksilver going?" has been their cry.

For another kind of entrepreneur, the American quicksilver producer, the situation seems as rosy as the cochineal red of his primary ore, cinnabar.

He has a small but sensitive place in the nation's economy, and over the years he has been used to a feast-or-famine market. The great mines of the globe are at Almaden, Spain, and Monte Amiata, Italy, although Idria, formerly in Italy but since World War II in Yugoslavia, has been an historic producer, usually in second place. All the other deposits of the world, including those of the United States, must be worked, if at all, in the shadow of these European operations.

The latter have two major advantages: average daily labor costs of \$1 or less, and first-rate ore, perhaps 20 pounds of mercury to the ton. American miners get \$16 plus fringe benefits totaling another \$2. United States cinnabar averages seven pounds to the ton.

In this competitive situation the American producer always has been at the mercy of Europe. At high prices and peak demand he has been able to supply United States requirements, but the natural leanness of his ore has made his mines marginal. To this disadvantage has been added the burden of cartel operations by Mercurio Europeo, Spanish and Italian selling agents who controlled four fifths of world production and were able to set world prices.

Regardless of production problems, mercury itself has many engag-

ing properties. A true metal, it is neither base nor noble, but something in between. It becomes a solid only at 38° below zero Fahrenheit. (To retrieve quicksilver spilled from your thermometer, sprinkle dry ice over it. The globules then can be picked up.) At ordinary temperatures its appearance is molten silver. This has given it its name, "quick" being used in the old sense of "live." Its other descriptive name, mercury, is the same as the Greeks' wing-footed messenger of the gods. The names are interchangeable; in practice the scientific world generally uses the classical one, but to miners and traders the world over the word is quicksilver, or simply "quick."

Mercury was always given the most respectful treatment by the alchemists of the Middle Ages, for they believed that, of all others, it was the metal they could most likely transmute into gold. While the atomic reactor has succeeded where the ancients failed, the answer to the present puzzle does not lie there. It is true that an atom of mercury has 80 electrons clustered about its nucleus, gold only 79, and that if only



one electron is knocked out of the mercury atom, it will change to gold. Even so it is easier to add an electron than to take it away; and the cyclotron first transmuted gold into mercury in 1947. A spokesman for the Atomic Energy Commission says the reverse process also probably has occurred, but only accidentally and in small quantities incidental to other experiments.

Such a statement should cool the first wild thoughts of some European traders who, startled by the quantities of quicksilver being absorbed by the United States, have cried in recent months, "Where's it all going? They must be turning it into gold!"

The answer to the unprecedented imports almost certainly lies elsewhere. The evidence points to one reasonable conclusion: After several years of testing various substances as cooling agents to transfer energy from nuclear reactors, those in charge have made a decision to settle in large part on mercury.

Whether the atomic reactor explanation is the reason for the boom does not make too much difference

to the American quicksilver industry, however, so long as the demand is there. Jackhammers are ringing in mine after mine to supply it, and shutdown properties are stirring. All the United States' 50 or so active mines are west of the Mississippi, California being the big producer with around 65 per cent of the total, the rest coming from Nevada, Idaho, Oregon and Alaska, and in times past from Arkansas and Texas.

One of the largest American mines is California's 110-year-old New Idria, in San Benito County. Current production there is running about 4,000 tons of ore per month, according to the State Division of Mines. Its metal output has been reported elsewhere at 500 flasks a month or better and trending upward. H. D. Tudor, president of Sonoma Quicksilver Mines, Inc., reports it produced 2,661 flasks in 1953 at Guerneville, Calif., and is developing another mine near Winnemucca, Nev. Bradley Mining Co., owner of five quicksilver properties, recently leased its Reed Mine in Yolo County to the Cordero Mining Co. of Palo Alto, and Worthen Bradley, president, says it will reopen its Sulphur Bank Mine in Lake County in 1955 and stands ready to lease its others.

Cordero, owned by the Sun Oil Co., which uses mercury in refining its petroleum, is reported to be producing 400 flasks a month or better at McDermitt, Nev.

But the quicksilver man who finally, perhaps, has come into his own is the prospector, the small operator of a one- or two-man retort. That essentially is just a cast iron tube in which he puts the ore, with a fire underneath. With a condenser to catch the mercury as it vaporizes, he is in business.

His hazards have been chiefly two; the chancy nature of the red flecks and seams of cinnabar, which can come thick or thin; and the historic wide fluctuations in the price of his European-dominated product. Timing has been the essence of successful quicksilver mining; the operator must achieve actual production early in the rising price cycle, pay off his capital costs fast, and be able to shut down with a profit when the price falls.

For this reason and perhaps others experienced quicksilver men are somewhat slow to show exuberance as the industry enters 1955 with history's highest dollar return for its product. Nevertheless it is almost incontrovertible that never has the man with a small property had such an opportunity to develop it with a measure of assurance, and rarely the larger producer.

END

Meet the FBI Chief of Staff

(Continued from page 29)

cations Division stands watch over the secrecy-shrouded, often-controversial "raw files," or dossiers, which the FBI has compiled from its own observations and from volunteer contributions of private citizens, on unnumbered individuals whose honesty or loyalty, or both, are suspect in someone's eyes. Finally, there are two housekeeping divisions, one for Training and Inspection, the other for Personnel Management and General Administration.

The Investigative and Domestic Intelligence Divisions are grouped together under the supervision of Leland V. Boardman, a 20-year veteran of the FBI whose title is Assistant to the Director.

The same title is borne by Louis B. Nichols, an able and affable man who handles a multitude of chores and is generally recognized as the FBI's No. 3 official.

The seven assistant directors and the two assistants to the director constitute what is called "The FBI Executives Conference," which meets every morning at 10:30 with Mr. Tolson as chairman. At these sessions, which often last two or three hours, every major problem facing the FBI is discussed. Mr. Tolson's agenda for a typical day might include questions of budget, strategy, law and personnel.

Every executive present acts first as a member of the FBI's grand strategy board, and only secondarily as the specialist representing a particular division. It is not uncommon for the man from the Records Division to suggest the solution to a problem in Domestic Intelligence; or for Mr. Tolson to assign the assistant director from the Identification Division to take a fresh look at a troublesome situation in Training.

Urgent problems usually are settled on the spot, with Mr. Tolson announcing a decision and giving orders before the conference breaks up. When basic policies or exceptionally grave issues are involved, the decision of the conference takes the form of a recommendation, or sometimes alternative recommendations, for Mr. Tolson to submit to Mr. Hoover.

Although the daily meetings keep him in touch with the gang-busting, spy-chasing activities of the FBI, Mr. Tolson devotes much of his time to the less glamorous business of administration and finance. The FBI spends about \$80,000,000 a year, and Mr. Tolson is determined to make

sure the taxpayers get their money's worth. He personally supervises the preparation of the Bureau's annual budget, and his close scrutiny of this document contrasts with the routine treatment it invariably gets on Capitol Hill. Members of both parties view a cut in the FBI appropriation in about the same light as a resolution condemning motherhood, and vie in proclaiming their readiness to vote more money for the Bureau if it is needed.

The FBI has exercised extraordinary restraint in its appropriation requests. Although its work load, both in the field of internal security and in combating ordinary crime, has climbed sharply in the past few years, the total FBI budget rose less than \$3,000,000 between the 1953 and 1955 fiscal years.

This self-imposed economy has beyond question contributed to the FBI's popularity in Congress, but it has also raised a question whether its agents are being overworked and underpaid.

Outside of Washington headquarters, the Bureau has 5,120 Special Agents and 2,909 civilian clerks distributed among 52 field divisions and 495 "resident agencies," or local offices. This adds up to one FBI agent for each 26,000 inhabitants of the United States, or an average of two to each county. In testimony before the House Appropriations Committee this year, Mr. Hoover said each FBI agent carries an average work load of 17 cases at any given time. He thought the maximum should be about ten cases.

He also told the committee that FBI agents all over the country are putting in an average of nearly two hours a day of "voluntary overtime." If the government paid for all of this overtime, he said, it would cost about \$10,000,000 a year above the present FBI budget.

The FBI is not under the Civil Service regulations which apply to most federal agencies. It makes its own rules for hiring, firing and promoting, and has its own pay schedules. Special Agents—all are either graduate lawyers or qualified accountants—start out at a salary of \$5,500 a year. It takes about three years for a good man to work his way up to \$5,940 a year, six years to reach \$7,040 and at least ten years of steady promotions to attain an annual salary of \$8,360. An inspector, who usually has had from 15 to 20 years of service, may be paid up to \$12,800 a year, an assistant direc-

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tor \$13,800. Mr. Tolson's salary is \$17,500, and Mr. Hoover's is \$20,000.

FBI "alumni" are greatly in demand and Bureau employees, from Mr. Hoover and Mr. Tolson down, are constantly being offered raises in pay to work for business firms, congressional committees, private foundations or other federal agencies. But the number who succumb to the lure of bigger money and shorter hours is surprisingly small. The Bureau's personnel turnover rate averages less than one per cent a month, compared to a rate of two per cent for the federal government as a whole and more than four per cent for private industry.

Mr. Tolson, who had direct charge of the FBI's personnel management for many years and still keeps a close eye on it, was asked recently how he accounted for the Bureau's hold on its employees.

"I think most of them stay for the same reason I do," he said. "You get something out of working for the FBI that is more important than a pay check."

Pressed to define the "something," he mentioned first the satisfaction of performing a needed public service. But the most important factor, he thought, is pride in belonging to an organization that has won the affection and esteem of the American people to an unparalleled degree.

There is no question that the FBI has esprit de corps. From the newest stenographer on up every member of the organization is loyal, not only to the FBI, but to Mr. Hoover personally. Criticism of either is resented by all hands and there is a strong tendency to suspect the patriotism of any outsider who "attacks" the FBI.

Of the criticisms aimed at the FBI, one which arouses the strongest feelings is the suggestion that the Bureau may some day become a "secret police" or "Gestapo."

"It just can't happen," Mr. Tolson told a visitor not long ago.

"The FBI is subject to control by the Attorney General and all his assistants; by the United States attorneys who prosecute the cases for which we gather evidence; by trial judges and juries; by the Budget Bureau and the Appropriations Committees of the House and Senate; and finally, by the press which is always quick to jump us if we make a mistake.

"I don't think it is conceivable that all of these separate controls would ever function in such a way as to permit the FBI to become a Gestapo, or for that matter, to operate in any manner substantially other than it does now."

Might not these controls be para-

lyzed, though, by hysteria over communism? Millions of Americans hold the FBI in almost worshipful regard; could this public adulation reach the point where it would be political suicide for any elected official to oppose the Bureau's wishes?

Mr. Tolson said he does not think the country is ever likely to come to that pass. In the first place, he has noted a "marked diminution" in Red-scare hysteria during the last year or two. In the second place he has detected no shortage of people willing to heave brickbats in its direction. Finally, he feels that public favor is a fickle thing, and that for all its present popularity, the FBI is in the position of a man "sitting at the top of a greased chute."

The visitor commented that people who worry about the FBI's becoming a "secret police" agency seemed to be principally disturbed about "raw files." Mr. Hoover has indicated that they contain "unevaluated data," including suspicions of self-appointed vigilantes and the gossip of neighbors. If they fell into unscrupulous hands, couldn't they be used to blast the reputations of innocent people, swing elections, stampede public opinion?

Mr. Tolson replied that the FBI is fully aware of the great harm that could result from misuse of its files and has tried "to the extent of our ability" to keep them confidential. The most notable breach occurred when a federal judge, over the FBI's strong protests, compelled disclosure of some of the files which had been involved as evidence in the Judith Coplon spy trial. There have been other instances when reports which



the FBI had submitted secretly to other government agencies either were released or allowed to leak out in those agencies. For example, the FBI report on the Harry Dexter White case, which figured in a political uproar last year, was released by Attorney General Herbert Brownell, Jr., whose Justice Department is the FBI's parent agency. But the FBI has no control over such things, Mr. Tolson pointed out.

How about the reported claim of Roy M. Cohn that he had "access to FBI files" and the charge of Senator Fulbright that Senator McCarthy was supplied data by the FBI?

Mr. Nichols, who has charge of the Records Division, broke in to answer. He said the FBI denies emphatically that Senator McCarthy, his aides, or any other "unauthorized person" has access to the secret files, and challenged anyone making such a charge to produce proof in support of it.

Does Mr. Tolson think that the FBI can cope effectively with the communist menace without undermining civil liberties?

"I certainly think we can—and have," he said. "FBI men are taught in training school, and repeatedly reminded, that they must scrupulously respect constitutional rights. I think the FBI has done more to protect and uphold civil liberties than many people who talk so much on the subject."

The shyness that afflicts Mr. Tolson among strangers and on public occasions is not in evidence when he is talking about the FBI or transacting its business. Subordinates describe him as "forthright." He is given to speaking his mind plainly, even bluntly.

"He never beats around the bush," says one FBI inspector. "If he thinks you have done a good job, he tells you. And if he thinks you have made a blunder, he tells you that. In either case, he uses the same matter-of-fact tone he would use in asking for the file on such-and-such a case. He is never brusque or discourteous, and never gushy. He is just—well, forthright."

Mr. Tolson expects his subordinates to be equally candid with him; if he suspects any FBI official of agreeing with him too readily, he lays a trap by pretending to take a position which he regards as indefensible. One luckless fellow who fell into such a trap has coined a motto for FBI executives: "Never agree with Mr. Tolson unless you are prepared to defend his views to your death."

He also insists that FBI men, from top executives to the newest Special Agents in the field, pay attention to details. "Precision is the cardinal virtue of an investigating agency," he has said. "Many a criminal has been convicted, and many an innocent person absolved, because somebody took pains to be accurate about an 'unimportant little fact.'"

Conversely he detests sloppiness. He lumps a variety of sins under this heading. The stenographer who types the wrong figure on page 42 of a bulky report is guilty of it; so is every executive who reads the report without noting the error. It is sloppy to make an arrest without having, already in hand, all the evidence needed for a conviction. It is unfor-

givably sloppy to make a mistake in identification. (This happened when the FBI gave out the wrong biography for Mrs. Bonnie Brown Heady, one of the Greenlease case kidnapers; ears are still burning in the Records Division.)

His own capacity for detail is enormous. He insists on reading all of the thousands of papers that pass over his desk, an ordeal that has compelled him to become a very rapid, page-scanning reader. He has also developed, by deliberate effort, a memory that is one of the legends of FBI headquarters. Often he will spot in a routine report or case history a name that he will connect with some other crime or incident that happened years before.

Because he is a perfectionist and because he does not mince words when there are hard things to be said, Mr. Tolson is regarded by many FBI employees with somewhat more awe than affection. He has never sought to attract to himself the devotion which most FBI men and women feel toward Mr. Hoover. There is a widespread belief, both in the field and in Washington headquarters, that he is cold, aloof and unapproachable.

His friends—including the FBI men who have known him longest and worked most closely under him—are distressed that he has acquired such a reputation. They assure people, in and out of the Bureau, that Mr. Tolson is, in the classic phrase, an awfully nice guy when you get to know him. They feel he has deliberately adopted his formidable front, partly to compensate for his natural shyness, but mainly because he feels that "somebody has to be the big stick," and he wants to spare Mr. Hoover the role of disciplinarian.

It would be entirely in character for Mr. Tolson to sacrifice his own popularity if he thought it would help the FBI. The affinity for anonymous service that has characterized his FBI career was also exhibited in the one job he has held outside of the Bureau. He came to Washington at the age of 17, from the little town of Laredo, Mo., and went to work as a clerk in the War Department. His education consisted of high school and one year at Cedar Rapids, Iowa, Business College. He had made good use of that, and by the time he was 18 he had been promoted to handling routine correspondence for Secretary of War Newton D. Baker.

Mr. Baker was so impressed with some of the letters that the 18-year-old clerk drafted for his signature that he made him his confidential secretary. Mr. Tolson remained in that job for eight years, serving un-

der Secretaries of War John W. Weeks and Dwight F. Davis after Mr. Baker retired. During these same years, he attended night classes at George Washington University, getting his A.B. degree in 1925, and his law degree in 1927.

His ambition then was to go back to Cedar Rapids and practice law. But he lacked capital for the venture, and decided to hire out to the FBI for a couple of years to save money and gain experience. With characteristic forthrightness, he stated these plans on his FBI application form. This was a rude shock to the FBI personnel office, which had grown accustomed to having applicants proclaim their intention of making life-long careers in the Bureau. But Mr. Tolson's blunt honesty impressed Mr. Hoover.

"Hire him," he said. "He'll make a good FBI man."

Mr. Hoover has never had occasion to repent of this judgment, and Mr. Tolson has never got around to hanging out his shingle in Cedar Rapids. Within two years after he was appointed a Special Agent on April 2, 1928, Mr. Tolson was brought to headquarters as chief clerk. In 1931, he was made Assistant Director and in 1936, Assistant to the Director.

During the gang-busting days of the 1930's, top FBI officials spent much of their time in the field, leading the G-Men into action against "public enemies" of various caliber. Although his name rarely got into the newspapers, Mr. Tolson was usually at Mr. Hoover's side on these missions, and he proved himself as adept with a submachine gun as with a dictaphone. When Mr. Hoover personally arrested kidnaper Alvin Karpis in New Orleans, the gun that covered him was held in the unwavering hand of Clyde A. Tolson.

During and after World War II, when counterintelligence and internal security activities dominated the FBI's attention, Mr. Tolson took an increasing load of administrative responsibilities off Mr. Hoover's shoulders. In 1947, Mr. Hoover formalized his status as No. 2 man by creating for him the new title of Associate Director.

As for where he goes from here, Mr. Tolson says, "nowhere, I hope."

He hopes and believes that Mr. Hoover will be around for a long time as Director of the FBI, and he is perfectly content to remain in his leader's shadow for as long as he can be useful there.

"I like my work," he says with simple sincerity. "The satisfaction that comes with doing my job is enough for me. I have no other ambition in life."

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Why are our jails crowded and crimes of violence increasing? Top penologists blame bleak, cage-like prisons and an indifferent public





IN THESE days of acceptable dividends and almost peak employment we find our prison population at a 15 year high—nearly 175,000. In a decade and a half our federal prison population is up 7.5 per cent and the state clientele has increased by 2.7 per cent.

This jailhouse rise suggests that "crime doesn't pay" as we were taught in our childhood. But, of all our bromides, none has less substance than that one.

Crime pays, and pays beautifully, as the FBI pointed out when it ran a box score on the 1953 contest between the underworld and the forces of law and order. In that year 2,159,080 major crimes were committed. These resulted in only 73,299 jail sentences. About the same number were put on probation.

Judging by present trends, 1954 will see even larger figures but the same relationship.

Therefore, 14 out of 15 major crime forays paid off. It is to be hoped that your salesmen are doing as well in their work.

According to J. Edgar Hoover, crime is a \$20,000,000,000 business.

Getting these billions of dollars into proper perspective is growing tougher by the day, so we might say crime costs us \$1,000,000,000 less than the United States government, excluding our defense budget. On a simpler level, crime costs each American family \$495. Much of this is loot, much is high insurance, much is for protection.

And it will cost us more before it costs us less.

Major crimes include such non-profit items as murder, manslaughter and rape, but they make up only a minute portion of the "industry." More than 95 per cent of major crimes are inspired by the profit motive and may or may not be accompanied by physical violence. In considering such grisly statistics it is wise, if painful, to remember that not all major crimes are reported and some municipalities use book-keeping legerdemain with their crime dockets to make the chief of police and/or the party in power look more efficient than they are.

It has been previously noted that a policeman's lot is not a happy one, and never has it been unhappier. Today we have more policemen than ever before, BUT we also have more people than ever before—criminal, noncriminal, and noncaught—so the policeman's job is tougher than ever. He also has a brand new crop of sociological horrors that his predecessors never faced. There is the sex offender, the dope fiend, and the criminally insane chronic alcoholic. Most of our large cities have become

simmering cauldrons of racial unrest that keep the police busy and the jailhouses jammed. The technical name for this terror is "tension area" or "transition area." A frank translation of this gobbledegook is the inescapable fact that Puerto Ricans in New York are in constant warfare with their white and colored neighbors; Negroes and whites in Chicago and Detroit are friction ridden; and Los Angeles and some Texas towns are not successfully assimilating their Mexican influx.

The causes for these tensions and their cure seem beyond even the wisdom of amateur and professional sociologists. But the tensions are there and the results are more crimes of violence; antisocial attitudes leading to armed robbery, mugging, even murder; and the need to concentrate an unseemly number of uniforms in certain areas to the detriment of more peaceful areas where the pickings are good and policemen rare.

Juvenile delinquency is out of hand. No matter where you are it is present but it is no local phenomenon. In 1953 some 1,000,000 children were involved with the police; 300,000 went to court and only 40,000 were committed to schools. In the 1948-'51 period the population growth in the 10-17 year old bracket was five per cent. But juvenile court business increased 17 per cent.

New York City's juvenile cases jumped 17 per cent in the first six months of 1954 and in Detroit a baffled judge committed an act of desperation that sickened him. He sentenced a veteran slugger to jail for three years. Judge Frank Fitzgerald explained, "I have dreaded the time, which has finally come, when I must send an 18 year old to prison."

He deplored the lack of proper correctional facilities in Michigan and then got right down to his, and the nation's, problem, "The people are entitled to full protection and the courts must remove these little hoodlums from the streets."

Perhaps the boy is incorrigible. Certainly he is a menace. But Judge Fitzgerald knew that a three year bit in the state pen was no solution. Still, he had no choice. His dilemma brought a sour growl from a veteran penologist, Joseph Ragen, warden of the notorious Joliet, Ill., state penitentiary. Mr. Ragen, a pretty tough warden, is horrified by the parade of youngsters he sees in Illinois jails and has given much thought to the subject. He had perhaps a glimmering of a solution when he told me, bitterly, "There's a helluva lot more delinquent parents than children."

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and nationalistic bigotry and misunderstanding are helping fill our jails. So are desperate judges who have no choice but to free or imprison child hoodlums who need an intelligent psychiatrist and a tough, industrious parole officer more than they need a cage. Sex and dope are playing their parts, also. But there is good reason to suspect that the one single thing most responsible for filling our jails is our jails. The American system of solving its criminal problem is criminal.

James V. Bennett, career penologist and head of the U. S. Bureau of Prisons, calls himself Uncle Sam's first "screw" but he is, in fact, a discerning gentleman of great personal charm and a deep sense of frustration born almost entirely from the fact he feels he is laboring in the



Walter Wallack

Dark Ages in the year 1954. Mr. Bennett agrees that, if his job is to keep in jail those who have been sent there, he is a spectacular success. Few leave U. S. prisons prematurely. But Mr. Bennett, like every good penologist, thinks prisons should be instruments of salvage rather than detention areas. He feels that as instruments of salvation our prisons are a ghastly failure. He further thinks that such failure is unbelievably expensive whether you care to look upon it in dollars and cents or in the area of human decency. Being ever a tart realist, he prefers to look at it both ways to conclude that the American people are suckers and not a little sadistic, without ever being aware of either their stupidity or their cruelty.

The abject failure of prisons as crime deterrents is found in a grim set of numbers: for every 100 men who have paid their debt and won freedom, 62 will be back. There is not the slightest reason to believe that the remaining 38 have abandoned crime. Many of them learn enough in jail not to repeat previous

mistakes in technique. The best run jail in the world is something of a school for crime. The poorly managed institutions are colleges for graduate studies toward a doctorate.

Mr. Bennett points out that crime and criminals are changing. Fewer people are in for embezzlement or breach of trust. But violence is up. The old fashioned safe-cracker and the "good" (skilled) burglar are being replaced by problem criminals. By the time these victims of tension, sex, dope, and other current problems reach a jail they are frequently incurable or close to it. These tough problem cases are swelling our prison rolls and our prison problems. Automobile thieves have become a major source of federal prison inmates. Mr. Bennett finds their problem a grim relief from the intricacies of the human mind that plague him.

"We could check the car thief problem, easily, if people would just stop leaving the keys in their cars." He would like to see car locks made a bit more of a challenge, too.

Of the current prison intake Mr. Bennett adds, "We are getting back the cream of the crop—real problem cases—the people who apparently cannot be brought around. Certainly they aren't being brought around with the methods now generally used.

"And we aren't getting many first offenders any more. Less than five per cent of our intake is for first offenses. Most of the men who enter prisons for the first time are veteran criminals. They are probation veterans who have been given two or three chances to straighten out."

Any effort to suggest that probation is a failure because of this situation enrages the usually restrained Mr. Bennett.

"Probation is the best way," he insists. "First, you rarely hear of the successes and always hear of the failures. And our probation problems stem largely from the fact that probation is an inexact science that is severely handicapped by lack of experimentation. This lack results from the fatal combination of a lack of public interest and public funds."

The "lacks" in our prison set-up, both federal and state, are numerous and they all contribute to our growing crime load. Walter Wallack, recent president of the American Prison Association, is the warden at New York's Wallkill Prison, one of the best prisons in the world. Penologists travel to Wallkill from all over the globe to study his technique. He is proving that prisons can be schools for citizenship rather than crime. But it is expensive.

Mr. Wallack picks and chooses his prisoners and never has more than

500 on hand. He takes murderers as well as less audacious criminals and there provides them with individual rooms, an equal mixture of physical and mental labor, and a minimum of locks. Apparently he straightens out 90 per cent of them. The Wallkill operation averages \$2,177 per inmate annually as opposed to the rather high federal rate of \$1,295. (With rare exceptions federal prisons combine humanity and economy far more successfully than state institutions.) But this expensive Wallkill experiment is paying off in human happiness. If you have ever seen a wife and a ten year old daughter climb aboard the bus at most state pens after a "visit" you realize that the real tragedy of our prisons is not limited by walls and bars. On a more pragmatic level it costs the community less than ten cents to handle Wallkill graduates for every 62 cents spent on alumni of cheaper and less imaginative jails.

Mr. Wallack agrees with Mr. Bennett that, except as houses of incarceration, most of our prisons are failures and that these failures are most intimately connected with our crime problem. As does Mr. Bennett, Mr. Wallack also feels an unknowing public is paying a heavy price for its ignorance.

They are not as one on the subject of public cooperation in getting jobs for ex-convicts. Mr. Wallack shudders at the mass ennui of people about the problem but says he gets 99 per cent cooperation when he presents an individual prisoner's problem for solution. Mr. Bennett admits getting much help in obtaining jobs for prisoners but he finds himself completely disenchanted by the attitude of too many businessmen who won't even allow a prison employment counselor in the back door.

Mr. Bennett points out, "This is their problem, too. It's not just a problem for cops and screws, alone." Any business employing 500 should have at least two ex-convicts, he says. His interviewer wondered if that included the First National Bank and Mr. Bennett snorted, "Why not? There are lots of jobs ex-convicts could handle in banks. Or anywhere. You want to know why so many men are in prison. One reason is the vicious treatment many of them get when they try to straighten out."

Both experts are agreed that many politicians play a villainous role in our prison picture. They are niggardly with funds because appropriations for schools and roads are more popular with the voters. Building newer prisons (one third of our state pens are more than 70 years

old) and granting funds for intelligent penological practices gather no votes but they are sound economies.

Another political sin, and it is probably the basic wrong of our prison structure next to overcrowding, is the general custom of appointing politicians as wardens. We hire engineers to run our highway systems and doctors for our public health set-ups but the man who will hold the fate of 3,000 or 4,000 tension-ridden human beings is usually chosen because he carried the Fourth Ward biannually for the past 16 years. Occasionally the politico will learn something about his job; just about the time a new party or governor fires him. Prison work is career work and is not to be confused with running the Department of Sanitation as a political plum.

Prisons are graded as "minimum," "medium" and "maximum" custody institutions. A prisoner could walk away from a minimum custody plant such as Mr. Bennett's successful Seagoville in Texas. Wallkill is a medium and the place is locked up for the night, but escape is a cinch. Alcatraz is maximum and the theory behind all maximum jails is that individual or mass effort to escape is an omnipresent possibility. Or even probability.

Most of the major prison abuses occur in maximum custody jails which include the mammoth state penitentiaries. In such places between 16 and 20 per cent of the inmates are bad actors and often influence their better balanced brethren. Most of our recent prison riots occurred in maximum custody prisons. Overcrowding is the rule and work, the only antidote for the searing monotony of jail, is either nonexistent or token.

Joseph Ragen runs a pretty good maximum custody jail for the State of Illinois. Once Joliet is recognized for what it is—a penological monstrosity—it measures among the best of its sorry kind. Joliet is the third largest jail in the nation, housing at the close of business on Dec. 31, 1953, a population of 4,215. And it's growing, although 4,215 inmates is exactly 3,015 more than any one jail should hold, according to the most daring of accepted penologists. Most feel that about 800 is maximum but a few respected thinkers in the American Prison Association go as high as 1,200.

Warden Ragen keeps his prisoners busy, as a good warden must. Perhaps the most macabre sight I have ever seen is the contrast between the outside and inside of Joliet. Outside are grim walls, 14 feet high, generously studded with gun turrets. In-



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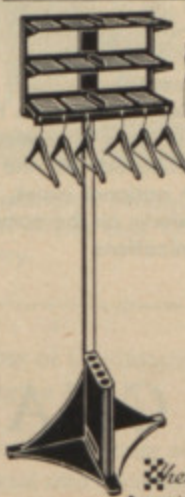
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By means of a two-way method of communication developed over a period of 40 years, the Chamber determines the views of business on national problems—and sets up an over-all program of thought and action.

4. Action Getting —

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FIRM.....

STREET ADDRESS.....

CITY.....ZONE.....STATE.....

side are a profusion of chillingly functional buildings nestling within hundreds of thousands of square feet of breath-taking floral displays. Terraced gardens bloom everywhere, each comprised of intricate designs worked out in different colors. There are 500,000 magnificent plants doing the best they can but Joliet doesn't smell any the sweeter for it.

Mr. Ragen has no choice but to run a taut ship. Like any good warden he spends most of his time inside the walls and he is apparently as humane as his job will permit. As he sees his job it is "not to make anything difficult for the prisoners except getting away." He is content to let the loss of liberty be the full punishment, which sounds pretty obvious unless you explore the history of many wardens who through laziness, ignorance, or sheer cruelty add to the already crushing weight a convict must carry, be he doing 30 days or 30 years.

Mr. Ragen is proud of his lush gardens, his antimalaria experiments, and his shops which supply the State of Illinois with all the uniforms, shoes, furniture, and soap needed by its institutions. His prison farm supplies meat, milk, and vegetables for the entire plant. The boys have abandoned wall-scaling, an old Joliet custom. Illinois pays \$900 a year per inmate at Joliet, a cracking good figure unless you are an inmate at Joliet.

The fact that Joliet exists is not Warden Ragen's fault; the fact that it accomplishes what little it does is a tribute to him.

He is proud of what he has accomplished with the problem but he is penologist enough to question the usefulness of Joliet.

"We spend \$900 a year to maintain a man," he says, "when we could keep most of them from having to come here by spending \$200 in experimentation, recreation and education."

Mr. Ragen doesn't admit it but his overcrowded jailhouse is a powder keg subject to explosion without notice.

He is handling the problem beautifully but in the long run he can only succeed "not to make anything difficult for the prisoners except getting away." So most Joliet graduates depart better criminals than when they entered.

Messrs. Bennett, Wallack, and Ragen are as one in a plea for mercy addressed to a few businessmen and labor leaders.

"Please," they beg, "lift the embargoes that prevent many prisons from manufacturing goods. Work is the salvation of the convict's mind and soul. And future. Because 95

per cent of the men in prison are coming out some day."

Mr. Wallack asks, plaintively, "How can fewer than 175,000 workers seriously threaten the prosperity of America's gigantic economy?" He adds, "Given the equipment and carte blanche we could make prisons self-supporting—even profitable—without selling to anybody but tax-supported groups and institutions."

It is impossible accurately to state what our prisons cost but the federal system averages \$3.55 per day per inmate. Applying that to all prisons we are paying about \$215,000,000 to support a colossal blunder. For this \$215,000,000 we are getting only an

ever increasing criminal army in and out of jail which is destroying \$20,-000,000,000 annually.

Because this \$215,000,000 accomplishes almost nothing, it is too little or too much. If we are going to fight crime with a degree of compassion and a full measure of intelligence we must spend more on our jails. If we are going to fight it simply by tossing our criminals into cages it can be done for much less than \$215,000,000. Just build bigger jailhouses, higher walls, and hire more guards. But if we do that we had better keep our criminals locked up forever, because if they got out they'd be ravaging wolves. And so many of them are today.

END

New Senate Leader Politician's Politician

(Continued from page 63)

resentful because of the Democratic leader's policy of avoiding direct attack on President Eisenhower, whom he considered too popular for such a tactic, and of withholding party attack on Sen. Joseph McCarthy, of Wisconsin, whose actions he held were purely an intraparty problem for the G.O.P., and should be left that way. Lyndon was accused of excessive caution, of "lyin' down."

Early in 1954 there were rumblings of revolt against his leadership and one Democratic newspaper charged that Senator Johnson was using the party to promote his own interests—as a candidate for re-election in Texas—rather than the party's. As late as August, 1954, the minority leader aroused hot anger on the part of the party's liberal bloc when he helped Majority Leader Knowland break up a 13-day filibuster against the administration's atomic energy bill.

Yet, through each of these personal crises Lyndon Johnson emerged with new admiration—for if not always affection—for his leadership ability.

Meanwhile, it was Lyndon Johnson in the Senate—abetted by Sam Rayburn in the House—who set the policy under which the Democrats rushed to the aid of President Eisenhower so as to "save" his public housing, refugee, and reciprocal trade legislation in the face of right-wing Republican opposition. It was this policy which provided Democrats with the politically attractive if somewhat specious argument during the November congressional campaign that President Eisenhower

"needed" a Democratic Congress to put over his own program.

In 1952, Lyndon Johnson came under criticism and suspicion on the part of liberal Democrats for having failed to campaign vigorously enough for Adlai Stevenson although the Texan had publicly announced his support of the Texas-repudiated Democratic candidate for President. There was talk that Lyndon was "lyin' low" for fear of arousing the ire of the politically powerful Texas Democrats who had come out for General Eisenhower.

Whatever the reason, it is a testimony to Johnson's political skill that Texas Gov. Dan Shivers, leader of the pro-Ike faction, decided to run for governor again, leaving Lyndon Johnson with little real opposition in the 1954 primaries. During the recent congressional race, Johnson ranged over the country stumping for liberal Democratic senatorial candidates, ardently defending them against charges of softness on communism and "leftwingism." Thus did Lyndon Johnson further strengthen his ties with the liberal wing of his party.

And when the vote was in, Senator Johnson promptly sought to make peace with independent Senator Morse, who appeared to hold the key vote giving the Democrats control of the Senate.

If the tenacious Texan can display his past prowess for party peacemaking for two more years—a very big "if"—it is surely not inconceivable that Lyndon Johnson, the man in the middle, could wind up carrying the Democratic hopes in the Presidential race of 1956.

END

Issues Congress Faces in 1955

(Continued from page 27)

companies to expand their health coverage by removing some of their risk through a federal reinsurance program.

Mr. Rayburn, who led the attack on the earlier bill, says he thinks it's just barely possible that some compromise can be worked out, and House Commerce Committee chairman-to-be Priest of Tennessee, who reluctantly went along with the earlier version, says the same. But it will be difficult to satisfy all the conflicting interests in this issue, and the outcome next year could easily be a repeat performance of this year—plenty of arguing and no legislation.

Many House Democrats would like to take a new step in expanding the social security system by authorizing benefit payments for disabled workers. This was approved by the House in an earlier Democratic Congress, but was killed by the Senate. A new attempt by the Ways and Means Committee to vote disability benefits could be embarrassing politically for the administration, since the Health, Education and Welfare Department might feel obliged to oppose the scheme, which is certain to be popular with voters in industrial areas.

A strong Democratic drive is likely—though its chances of success are uncertain—to toughen some of the provisions of the Atomic Energy Act passed this year. Many Democrats attacked the new law as "handing the atom over to private industry" after billions of taxpayers' dollars were spent to develop it.

There will be attempts to tighten up many parts of the new law—for example, to require compulsory licensing of patents for longer than the five years now specified.

Democratic leaders have promised early passage of a pay increase of about five per cent for postal employees and other government workers. They'll probably feel obliged to balance this off by an increase in some postal rates, though not as much as requested by the administration. Mr. Rayburn says flatly there'll be no increases in first class letter rates, as sought by Postmaster General Summerfield, but the Democrats may go along with higher rates for second class newspapers and magazines and third class catalogs and bulk mailings. Increases in those categories would be less explosive politically than hikes in the three cent letter rate.

Party lines will mean little if Mr.

Rayburn and Senator Johnson attempt, as they say they will, to enact a bill exempting independent natural gas producers from Federal Power Commission control. This proposal, similar to the so-called Kerr bill passed by an earlier Congress only to be vetoed by President Truman, is made necessary, its backers assert, by a recent Supreme Court decision requiring the Power Commission to regulate the independents even though it doesn't want to.

Presumably, the administration and many Republicans would welcome the Rayburn-Johnson effort, since it would fit in with White House policy to remove controls from business wherever possible. But many members of both parties from northern gas consuming areas will vigorously oppose it, as they did the Kerr bill.

Another area where Republican will be aligned against Republican and Democrat against Democrat is the antitrust field. An administration study commission headed by Justice Department antitrust chief Stanley Barnes reportedly leans toward watering down or even repealing the fair trade laws. These laws, in effect, authorize a manufacturer to enter into a contract with retailers to fix retail prices on his products in states which allow such contracts.

The Democratic split on this issue is exemplified by the fact that Representative Celler of New York, who'll head the House Judiciary Committee which handles antitrust legislation, is a leading opponent of fair trade laws and would undoubtedly welcome such a recommendation, while Representative Patman, who would head the Small Business Committee, would stoutly defend the laws. Republicans are similarly split.

The antitrust study commission also may propose legislation to legalize freight absorption and to permit firms to lower their prices to one customer and not to others if they must do this to meet the price a competitor has quoted the first customer. Party lines will be crossed from both sides on these issues, too.

If the congressional outlook is hazy in many respects, it is clear and sharp on at least one point. There will be plenty of investigations, true to the trend of recent years.

The emphasis, however, will be different.

For the past several years, the country has seen congressional inquiries center more and more on



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charges of communism and subversion in government, industry and virtually every other phase of life. During the next two years, economic issues and especially the administration's handling of them are expected to be pushed into the spotlight by the Democrats.

Thus, several committee chairmen-to-be—Representative Celler of the House Judiciary Committee, Representative Patman of the House Small Business Committee, Senator Sparkman of the Senate Small Business Committee, and others—have already served notice they will investigate the Defense Department's policies on granting defense contracts.

They're out to show that these contracts are being concentrated in the hands of a few large firms.

Mr. Celler promises to revive his special Judiciary Monopoly Investigating subcommittee to look into what he terms the administration's failure to halt the "merger trend" of recent months. Mr. Patman also thinks this is a ripe field, and suggests that a special committee along the lines of the Temporary National Economic Committee of the late 1930's should be created to study the pattern of American industry today and determine whether some concerns have become too big for the national welfare.

Two members of the Senate Anti-monopoly subcommittee—Senator Langer, the North Dakota Republican, and Senator Kefauver, the

Tennessee Democrat—have served notice they will ask Congress for a million dollar appropriation to look into the "giant problem" of monopolistic practices and effects.

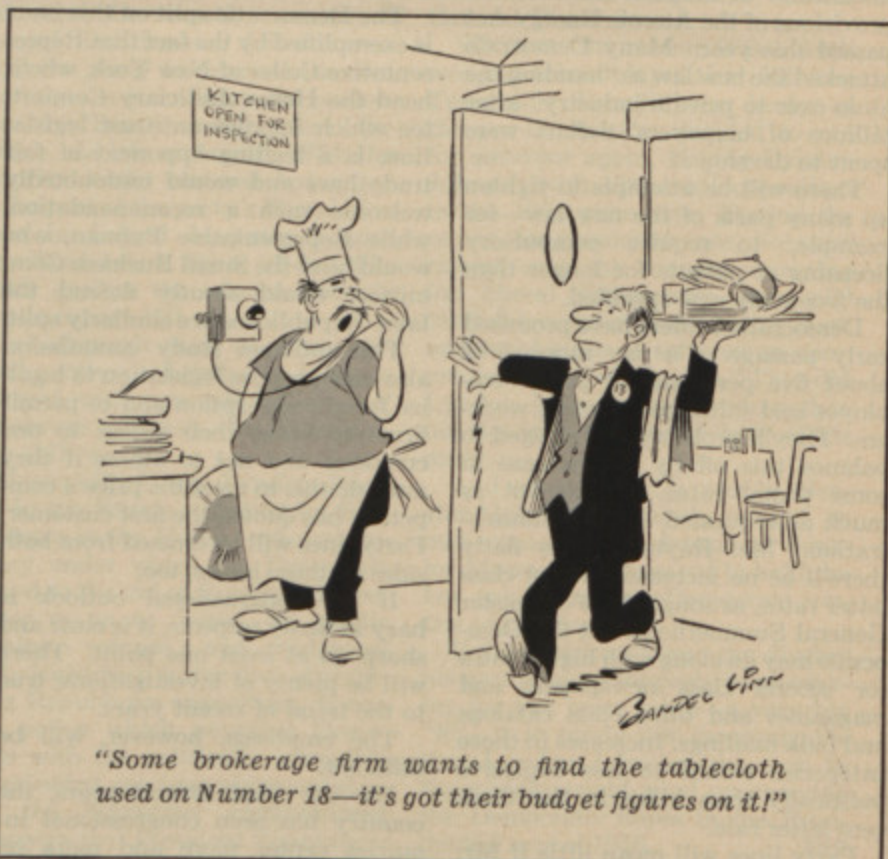
An old reliable topic for investigation—the spread between farm prices and consumer food prices—will be trotted out by members of the House Agriculture Committee. And several committees will move from the highly publicized Dixon-Yates power contract to a thorough going-over of the administration's whole basic policy on public and private power and reclamation projects.

Communism will not be forgotten entirely, however. The Democrats will be active enough in searching for subversion to protect themselves from new charges that they are soft with Reds. Also, they're bitterly angry over Republican campaign charges which linked the Democratic Party with treason. They will demand that the Republicans supply facts, including names, to back up G.O.P. claims that the government was shot through with communists when the Republicans took over the government in 1952.

And the Democrats would like nothing better than to uncover some nice, big loopholes in the Republican internal security system.

All these investigations, even more directly than the legislation, will be keyed to the major political theme of the next two years—the need to win the 1956 presidential election.

END



nb

notebook

Continental convention

A NEW type of business convention which adds international good will, better human understanding, and world travel to the usual convention aims recently had its first successful trial.

The sponsor was the Necchi Sewing Machine Sales Corporation, sole agents in this country for Necchi sewing machines made in Italy and Elna sewing machines made in Switzerland. In the belief that people who do business together should know each other better, the corporation took its 48 distributors, their wives and some of their grown children to Europe on a business and sight-seeing trip. The result was a convention which, as one weary voyager said as he climbed on the home-bound plane, "taught us more than most of us would ever have learned in our lifetimes."

Under the plan all distributors who met their quotas made the trip. Two chartered planes carried a total of 108 persons.

The European portion of the trip started in Geneva, wound through Milan, Pavia, Bellagio, Sirmione, Verona, Venice, Florence and Rome, then to Paris for a gay finale.

It included trips through the Elna and Necchi factories where the visitors found American machine tools grinding away on American-type assembly lines. In both places, efficiency impressed the men and cleanliness surprised the women.

Tail-enders leaving the Elna factory reported shamefacedly that vacuum cleaners were already removing such litter as the party had tracked in.

Convention sessions, held with the makers of Elna machines at Geneva and Vittorio, and with the manufacturers of Necchi machines at Bellagio, combined the customary speeches and reports with informal recesses which gave the visitors opportunity to talk with factory production, sales and management people, and watch demonstrations of new machines by capable women operators.

The Swiss and Italians found it an occasion to explain, at the business

level, their difficulties with American import policies—and to thank American businessmen for this country's part in putting them on their feet. Leon Jolson, Necchi president, summed up the trip this way:

"Our people not only know a new part of the world; they know each other. Now we will have real teamwork."

Private line for Junior

LESLIE H. WARNER of Chicago, president of the Leich Electric Company, has an idea which, if pursued, would accomplish a dual purpose: increase telephone revenues and eliminate the pesky domestic problem which arises when an adolescent son or daughter ties up the family telephone.

"Sell second lines for teen-age children," Mr. Warner advised a session of the United States Independent Telephone Association's recent convention in Chicago.

The special line for talkative teenagers was just one sales-building suggestion advanced by Mr. Warner. Other markets he encouraged the telephone men to develop include extension phones, outdoor and other special signals, and telephones for the hard-of-hearing.

Look what's on the tree

A LOT of American Christmas trees—perhaps yours—will be trimmed this month with ornaments that were made in Soviet-dominated countries of eastern Europe.

Here are the facts, as gathered from the U. S. Department of Commerce and the Tariff Commission: In 1953 alone the United States imported \$367,000 worth of glass Christmas tree ornaments from Poland; East Germany supplied \$127,000 worth. West Germany, outside the Russian orbit, was our largest individual overseas supplier (imports valued at \$508,000).

Domestic production of Christmas tree ornaments is limited to the output of one major glass products manufacturing firm and a number of smaller specialty houses located in the East. Most of the tinsel draped



... yet paper towel costs go down

The Pennsylvania plant of one of America's well-known companies finds Mosinee Sentinel Towel Service is still saving them \$300.00 per month, compared to previous towel service. This tremendous saving exists in spite of the fact that (1) number of employees has increased by 500, and (2) plant has increased its work week from 5 to 7 days.

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on our yule trees is made in the United States.

The ornaments imported from Europe are generally of a high quality, particularly those which are made in West Germany. There craftsmen have long specialized in the making of fancy tree ornaments. Japan is another large supplier of decorations for American Christmas trees. The Japanese concentrate on the manufacture of small, inexpensive ornaments.

Imports of glass Christmas tree ornaments from all foreign sources totaled \$1,355,239 last year. A similar level of imports is expected to be reached by the end of 1954.

Parking lot becomes playground

BY CONVERTING its parking lot into an after-hours playground for school children, the Northwestern Bank of St. Louis, Mo., recently demonstrated how a business establishment can aid in combating juvenile delinquency.

The bank, one of a chain operated by the General Contract Corporation, is located in an area which lacks adequate playground facilities.

John P. Meyer, Northwestern president, says the lot, 60 by 120 feet, has been resurfaced and supplied with night lighting and equipment for half-court basketball, badminton, volleyball and other games. Children using the lot are supervised by a staff member from Grace Hill House, a Community Chest agency.

The bank also supplies athletic equipment and pays the light bills. The lot is available from 3 to 5 p.m. and 6 to 8 p.m. every day except Friday to youngsters 13 years of age and under. Both public and parochial school children use the facility.

Industrialists, clergymen pool ideas

SOME of the most important problems and issues of the day are being explored by the Clergy-Industry Discussion Group of Greater Cincinnati, a project which other communities might want to emulate.

The founding of the organization shortly after World War II grew out of a meeting of a small group of clergymen and a few interested Ohio industrialists who had gathered to discuss "certain vague but clearly critical ideas" which were popular subjects of conversation.

In the ensuing years the Clergy-Industry Discussion Group has grown in number. Topics for consideration are planned by a steering committee whose members represent all the major faiths as well as a cross-section of industry in Cincinnati. Maximum participation is encour-

aged at the meetings, most of which have been held at plants in the Cincinnati area.

"By holding meetings in plants, the clergymen in the group have been able to get a feel of the industrial core of the community," explains the Rev. Bruce Whittemore, a member of the steering committee. "It also gives us, as clergymen, an opportunity to see at close range the kind of conditions under which many members of our own congregations work for a living."

The 80 to 100 men who attend the monthly sessions of the Cincinnati group exchange ideas openly and freely on the premise that only through such an unimpeded exchange can intelligent conclusions be drawn. At the end of each discussion year the group publishes the results of its meetings in booklet form. To date the following general subjects have been covered: "Fundamentals in the American Way of Life" (1947-48); "Security in the American Way of Life" (1948-49); "Personal Liberty in the American Way of Life" (1949-50); "Statism" (1950-51); "The Obligation of the Individual in Today's Society" (1951-52); "Community Problems" (1952-53); and "Economic Problems" (1953-54).

Shelter—transportation package

A NEW CAR and a new home in the same package deal is attracting attention to Highland Crest, a housing development that is near Kansas City, Kan.

The Winn-Rau Corporation, builders of the 1,300-unit subdivision, and Rudy Fick, Inc., an automobile agency, cooperated in putting the plan in operation.

The homes sell for \$10,800 and the monthly payment is \$72 for the 30-year plan. The buyer who uses the home-car plan receives a trade-in allowance in cash on his old car. He uses some of this money to cover closing costs on the house, applies the rest to the down payment.

Payments on the car are then spread over four years.

People who live in plastic houses

DESCRIPTION of a beach house with walls made almost entirely of Fiberglas got a great deal of attention during a recent conference on "Plastics in Building" conducted by the Building Research Institute in Washington, D. C.

The house, believed to be the first livable plastic dwelling constructed in the United States, is located in Deerfield Beach, Fla. It was built earlier this year by Alfred W. Rus-

sell, president of the Russell Reinforced Plastics Corporation of Lindenhurst, L. I., N. Y. Robert F. Smith, Miami architect who designed it, told conference participants that the house represents the beginning of a trend toward wide use of plastics as a home building material.

"The Fiberglas wall panels are termite-proof, rust-free, weather-resistant—in fact, require no maintenance," said Mr. Smith. "They are about 35 per cent translucent. This means that the house has no dark corners and is a bright, happy place in which to live."

Mr. Smith said he deliberately subdued an impulse to design the home entirely of plastics. "We don't want to scare the public off its feet with this new conception in home construction," he declared. "Instead, we have started conservatively, combining the plastic wall panels with such friendly materials as wood and brick."

STATEMENT REQUIRED BY THE ACT OF AUGUST 24, 1912, AS AMENDED BY THE ACTS OF MARCH 3, 1933, AND JULY 2, 1946 (TITLE 39, UNITED STATES CODE, SECTION 233) SHOWING THE OWNERSHIP, MANAGEMENT, AND CIRCULATION OF NATION'S BUSINESS published monthly at Greenwich, Connecticut, and Washington, D. C., for October 1, 1954.

1. The names and addresses of the publisher, editor, executive editor, and business manager are: Publisher, Chamber of Commerce of the U. S. of America, Washington, D. C.; Editor, Alden H. Sypher, Washington, D. C.; Executive Editor, Paul McCrea, Washington, D. C.; Business Manager, John F. Kelley, Washington, D. C.

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JOHN F. KELLEY

Signature of Business Manager

Sworn to and subscribed before me this 29th day of September, 1954.

(SEAL)

WILLIAM A. CREVELING

(My commission expires Nov. 14, 1958)



Pete Progress gets a letter from Santa Claus

Dear Pete:

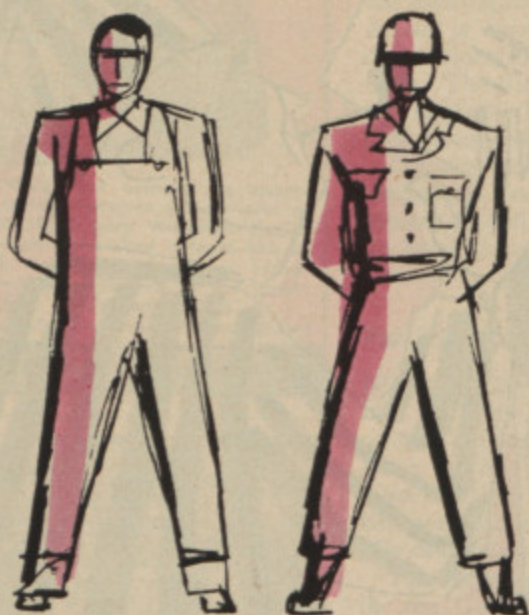
Well, everything's about set for the Big Day. We put a new runner on the sleigh and if Dancer will hold still I'm going to trim her antlers a bit to cut down on the wind resistance. Rudolf's nose is ready. Got myself a bigger bag this year after checking the latest Census report. Which is the main reason I'm writing to you. Please thank all those fine fellows at the chamber of commerce for helping me out. And I don't mean just around Christmas, either. I'd be snowed under if it weren't for what they do all year long to make life easier for me. Guess I don't have to list all the wonderful things—whatever improves the community usually comes by way of the chamber. Just tell them to keep it up—and to keep their motto "It's more fun giving than taking". See you December 25th, Pete.

Merry Christmas,
Santa Claus



Pete Progress speaks for your chamber of commerce, an organization dedicated to making your community a safer, healthier, pleasanter place to live and work. Every project backed by the chamber is a boost for the community.

You can help, too—and active support of your chamber will help you



PATRIOTISM **PLUS** **INTELLIGENT** **SELF** **INTEREST**

IN A WORLD as troubled as it has ever been, our country today has standing military services totaling about 3,000,000 men and women. That's a fraction of the power it took to bring World War II to a close.

So it's evident that, as in the past, civilians will fight this nation's next war, if or when it comes. The regulars reel under the first blow, and almost immediately their ranks are thinned as experienced men are called back to train the far larger forces of civilians who sometime thereafter man the firing lines.

Meanwhile the National Guard and the reserves move in to attack, hold, or carry out whatever strategy is made necessary by developing battle.

In this age of peril it would be difficult to overestimate the importance of the reserve forces. They may determine our national and individual fate.

In what condition is this important part of our defense system today? The ready reserve is far from ready. The standby reserve is for the most part names on pieces of paper. For this the military blames an unclear law, among other things.

The Armed Forces Reserve Act and the Universal Military Training and Service Act, generally called the Selective Service Act, are being rewritten for presentation to the next Congress.

One of the most important provisions being written into the new bill is required participation in an organized reserve training program. If a young man serves for two years on active service, he would be required under the proposed law to serve six years in the reserve to complete an eight-year obligation.

This law would increase an employer's problems. It would mean that more of his people would be spending part of their off time increasing military skills. These same people would take part in active, concentrated periods of training for about two weeks in each year.

It would be only good business and good citizenship to give these people assurance of job and promotion opportunity equal to those not so engaged, to grant them time off in addition to vacation for short periods of active duty encampments either with full pay or with any deficit in military pay made up, and to assure them that they will be rehired at the end of longer periods of military duty.

Such actions as these will spring not alone from patriotism, in the words of Deputy Secretary of Defense Robert B. Anderson, "but also from an intelligent self-interest." He adds:

"The thought and expense that the employer devotes to the interest of the reservist in his employ buys a large amount of national security far more cheaply than paying taxes to support an additional regular force."



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